

Comprehensive Annual Financial Report

**for the
Fiscal Year Ended
June 30, 2006**

GRANITE SCHOOL DISTRICT

**2500 South State Street
Salt Lake City, Utah 84115
www.graniteschools.org**

**Patricia G. Sandstrom, President of the Board
Dr. Stephen F. Ronnenkamp, Superintendent
David F. Garrett, Business Administrator/Treasurer**

**Prepared by:
Chris A. Lewis, Director of Accounting Services
and Leon Wilcox, Accountant**

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Business Administration - Accounting Services

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November 27, 2006

To the Board of Education and Patrons of Granite School District:

State law requires that school districts publish within five months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2006 and is comprehensive to include all governmental departments, agencies, institutions, commissions, public authorities or other governmental organizations for which the district is financially accountable.

To meet the needs of potential users, this report is presented in three major sections:

1. Introductory Section - Introduces the reader to the report and includes this transmittal letter, a list of elected and appointed officials, certificates of excellence in financial reporting, the District's organizational chart, and a map of the District.
2. Financial Section - Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements (including the notes to the basic financial statements), and combining and individual fund financial statements and schedules.
3. Statistical Section - Contains substantial financial information, but presents tables that differ from financial statements in that they present non-accounting data, cover several years, and are designed to reflect social and economic data and financial and fiscal trends as well as the fiscal capacity of the District.

Management of the District is expressly responsible for both the content and presentation of the report. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects. To provide a reasonable basis for such a representation, management of the District has established a comprehensive internal control framework designed to both protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's internal controls are designed to provide reasonable assurance rather than absolute assurance that the financial statements are free from material misstatement.

Squire & Company, PC, a firm of licensed certified public accountants, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial

statements for the fiscal year ended June 30, 2006 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

As a recipient of federal funding (referred to as "awards"), the District's independent audit of the financial statements becomes a part of a broader, federally mandated "Single Audit" designed to meet the specific needs of federal grantor agencies. The standards governing a Single Audit require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

As a recipient of state funding, the District was also subject to and underwent a state legal compliance audit, the purpose of which is to examine general and major state program compliance with applicable state laws and regulations.

A report entitled Single Audit and State of Utah Legal Compliance Reports is issued as a separate document.

Profile of the District

The District was created December 15, 1904 by a resolution of the Salt Lake County Commissioners. Located immediately south of Salt Lake City, the District covers almost 300 square miles and includes several urban and suburban communities comprising approximately the northern half of the county.

The District is a legally separate entity enjoying all rights and privileges accorded political subdivisions in the State of Utah. The District is fiscally independent. Policymaking and legislative authority are vested in the Board of Education (the Board) consisting of seven members who are elected from among the District's seven precincts. Board members serve four-year staggered terms with no more than four board members elected every two years. The Board has the power to determine its own budget, incur bonded debt, levy taxes and also can sue or be sued without recourse to any other body of government.

The major purpose of the District is to provide public education. In 1904, the District's student population stood at 4,258. Through the years, it increased to a high of 78,387 for the 1991-92 school year and has since declined to 66,299 for the 2005-06 school year. To accomplish its purpose, the District operates 61 elementary schools, 16 junior high schools, 9 accredited high schools, and 4 special program schools. In addition, the District offers an adult and community education program for non-traditional students. The District is an equal opportunity employer and actively recruits teachers from universities throughout the nation.

For accounting purposes, the District is not treated as a single entity. Instead, it is treated as a collection of smaller, separate accounting entities known as funds. Funds are created to segregate and keep track of specific activities or to attain certain objectives in accordance with special regulations, restrictions, or limitations. Utah law requires the District to have a balanced budget for its funds and requires that all annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve.

In the months preceding each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th. If the proposed budget does not include a tax increase, a public hearing is held before the beginning of the next fiscal year according to Utah law at which time the budget is legally adopted by the Board after obtaining taxpayer input. If the proposed budget does include a tax increase, the Board accepts a tentative budget to begin the year and within a few months holds a public hearing on the tax increase at which time the budget is legally adopted by the Board after obtaining taxpayer input. Once adopted, the budget acts as the financial operating plan for the entire year. The Board, upon recommendation of the Superintendent, can reduce the budget during the year. To increase the budget, however, the Board must conduct another public hearing prior to approving the increase.

The level at which expenditures may not exceed appropriations has been interpreted by the State Superintendent of Public Instruction to be the total budgeted expenditures of a given fund. Therefore, as a matter of practicality, the budget of the District is usually amended only once each year when the Board also takes action on the new fiscal year budget.

Local Economy

The economic condition of the District is largely dependent upon two major factors; first, the broader state economy that is increasingly tied to the national and global economies and second, the views of the governor's office and state legislature toward funding public education with the resources generated by the state. State funding for education is always a significant issue in Utah because children represent such a large percentage of the population. When compared to other states, there are two factors that put the state in a difficult situation when it comes to generating tax revenue to fund public education. First, Utah is near the middle in terms of household income. Second, Utah has larger households. The result is less income available per child. Utah is near the top when measuring the share of income devoted to education and yet is currently the state with the lowest per-pupil funding.

Utah has a highly diversified economy. All major industries in the state (construction, tourism, exports, defense, energy and minerals, and agriculture) experienced growth in 2005. Utah consistently outperforms the nation over the long run due to strong internal population growth, a young well-educated workforce, low business costs, and a strong work ethic. These positive factors are inherent in the values of the populace and are not likely to change. Another matter not likely to change is the pressure to generate new revenue to fund public education. Add to that the expected burgeoning school enrollment (see below), and the prospect of maintaining, if not advancing, improvements in education over the next decade and one of the state's biggest economic and political challenges is readily identified.

There will be considerable political pressure on the state legislature to increase funding for public education as it deals with the economic reality of record budget surpluses statewide. This will be the case in spite of tax cuts already passed that will take effect this year.

The economic outlook calls for continued expansion in 2006. Employment growth in Utah is expected to be 4.8% for 2006. The unemployment rate is expected to fall from the 2005 rate of 4.3% to 3.3%. With the economy continuing to expand, wages are expected to increase faster than inflation during 2006. For the District, this translates into a somewhat stable but strained budget reality. However, working within budget constraints is nothing new. As revenues fluctuate, the District will respond according to available resources.

In 2006, the state passed legislation that made it easier for municipalities to consider and establish their own school districts. Some municipalities within the District have initiated studies on the matter. Although unknown, it is conceivable that these municipalities could proceed to effectively "split-off" from the District to form their own.

Major Initiatives

The Board has established specific tasks and initiatives to focus District energies and resources on efforts that will most benefit District students. Of highest priority to the District is continued enhancement of the Granite Education Center (the GEC). With this year being the first complete year, this comprehensive one-stop-shopping educational hub has provided an opportunity to consolidate educational programs, centralize District services with more efficient administrative support, implement new and innovative programs, and develop unique partnerships with higher education, businesses, and governmental and social agencies. Other high priority initiatives include concentrated school support teams, accountability for student achievement and benchmark data, focused attention on No Child Left Behind, professional development plans geared toward student achievement, early intervention via preschool programs, and implementation of the K-12 Literacy Framework.

According to projections from the Utah Governor's Office of Planning and Budget, the state-wide school-aged population is expected to dramatically increase between 2005 and 2015 by an average of over 14,000 each year. Utah will have 147,000 more school-aged children in the state in 2015 as compared to 2005, which is an increase of 29%. These projections have born out in 2005 as enrollment increased by 14,300 students, 8,700 due to Utah's high birthrate and 5,800 because of migration (the largest increase due to net in-migration in history). Much of the state-wide growth will have a direct impact on the District due to Kennecott Land which was established in 2001 to focus on protecting and developing Kennecott Utah Copper's non-mining land and water assets. Kennecott Land owns 93,000 acres of land in the Oquirrh Mountains and foothills, the largest remaining land holding in the Salt Lake Valley much of which is within the District. With the residential development expected in the Salt Lake Valley over the next 100 years, the District will have to plan for adequate funding to accommodate the incoming students as they arrive.

Relevant Financial Policies and Issues

The District maintains a cash and investment pool that is available for use by all funds. The District invests all possible balances on a daily basis in overnight interest-bearing savings accounts and with the Utah Public Treasurers' Investment Fund. All bank accounts are interest-bearing money market accounts earning interest on any temporarily idle funds. All investment activities fall within the guidelines of the State of Utah Money Management Act and the Money Management Council which governs the District's investment policies and provides a measure of depository protection. The Council issues a list of qualified depositories to public treasurers quarterly and monitors the maximum amount of public funds each depository is eligible to hold in accordance with the laws and the rules of the Council. State law and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The Council does not require collateralization of deposits. The District considers the actions of the Money Management Council to be helpful oversight for protection of its uninsured and uncollateralized bank deposits.

The District administers the following debt:

- The District, by offering early retirement and pension benefits, has obligations to individuals who will receive these benefits in the future. The obligation as actuarially determined at the end of the year is \$28.0 million. The District has accumulated sufficient resources over time and has set them aside as designated fund balance to fully finance this debt.
- The District created a municipal building authority during the 2003-04 year to participate in acquiring a large complex via lease revenue bonds. This complex has been renovated into the Granite Education Center. The revenue bonds obligation at the beginning of the year stood at \$5.1 million and were paid off during the year. The funding to extinguish the bonds was provided for from taxes levied for capital projects.
- The District entered into lease agreements during the 2002-03 year for physical fitness equipment. The funding source to pay off these leases was not viable. The District made other adjustments to its own budget to fund the lease payments. The combined total lease obligation at the beginning of the year stood at \$0.5 million and was paid off during the year.
- Aside from these obligations as well as for workers compensation and compensated absences as discussed in the notes to the basic financial statements, the District has no other debt. The Board of Education has chosen to use a pay-as-you-go philosophy to address major capital needs. By so doing, the District currently enjoys a significant savings from interest and bond issuance costs associated with debt.

Certain employees are eligible to receive post employment health and life insurance benefits. The District currently finances these benefits primarily as premiums are paid. Recent authoritative guidance on accounting for such benefits will go into effect for the District in the 2007-08 fiscal year and will require recognition of an additional actuarially determined liability at that time. In anticipation, the District received a current actuarial estimate of a little over \$6.5 million for these benefit plans under the new guidance. Although current guidance ignores the entire obligation, the District has elected to designate \$1.4 million of fund balance to go toward financing this obligation that will be recognized in 2007-08. By then, the District expects to accumulate the remaining resources to fully finance these benefits from savings in the cost of insurance due to plan changes already implemented.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Granite School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

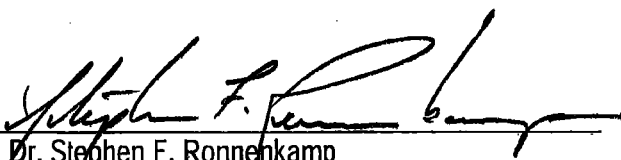
A Certificate of Achievement is valid for a period of one year only. This is the fifteenth consecutive year the District has received this prestigious award. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


The Granite School District also received the Association of School Business Officials (ASBO) International's Certificate of Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This award certifies that the report substantially conforms to the principles and standards of financial reporting as recommended by the Association of School Business Officials International. The award is granted only after an intensive review of financial reports by an expert panel of certified public accountants and practicing school business officials and is also valid for a period of one year. This is the fourteenth consecutive year the District has received this prestigious award.

The preparation of this report on a timely basis could not have been performed without the efficient and dedicated employees in all of the business departments. Mitch Robison and Richard Welch have provided crucial help. Special appreciation is expressed to Chris A. Lewis and Leon Wilcox of the Accounting Services Department, where the major portion of this presentation has been compiled.

We would also like to thank President Patricia G. Sandstrom and the members of the Board of Education for their interest and support in conducting the financial affairs of this school District.

Respectfully submitted,


Dr. Stephen F. Ronnenkamp
Superintendent of Schools


David F. Garrett
Business Administrator/Treasurer

THE GRANITE SCHOOL DISTRICT
List of Elected and Appointed Officials
June 30, 2006

Elected Officials

	<u>Initial Appointment</u>	<u>Present Term Began</u>	<u>Present Term Expires</u>
Patricia G. Sandstrom, President Precinct II	January, 1981	January, 2005	December, 2008
Hank Bertoch, Vice President Precinct VII	January, 2003	January, 2003	December, 2006
Carole E. Cannon, Member Precinct I	January, 2005	January, 2005	December, 2008
Connie Burgess, Member Precinct III	January, 2003	January, 2003	December, 2006
Sarah R. Meier, Member Precinct IV	January, 1997	January, 2005	December, 2008
Judy A. Weeks, Member Precinct V	January, 1999	January, 2003	December, 2006
Julene M. Jolley, Member Precinct VI	January, 1999	January, 2003	December, 2006

The term of office for a board member is four years, beginning on the first Monday in January following the election.

Appointed Officials

	<u>Initial Appointment</u>	<u>Present Term Began</u>	<u>Present Term Expires</u>
Dr. Stephen F. Ronnenkamp Superintendent	July, 1996	July, 2006	June, 2008
David F. Garrett Business Administrator/Treasurer	September, 1987	January, 2005	December, 2006

The term of office of the Superintendent and Business Administrator/Treasurer is two years.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Granite School District,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carol E. Perry

President

Jeffrey R. Enen

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

GRANITE SCHOOL DISTRICT

**For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2005**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



GRANITE SCHOOL DISTRICT ADMINISTRATION 2005-06

BOARD OF EDUCATION

Superintendent of Schools
Dr. Stephen F. Ronnenkamp

Superintendent's Office

- **Granite Foundation**
Scott Whipple, Director
- **Policy & Legal Services**
Dr. Martin Bates, Assistant to the Superintendent
- **Human Resources**
Mike Fraser, Director
Lloyd Bybee, Assoc. Dir.
Donnette McNeill-Waters, Assoc. Dir.
- **Public Relations**
Randy Ripplinger, Director
Dr. Kathryn Merrill, Asst. Dir.

Support Services
Dr. David L. Gourley
Assistant Superintendent

Classified Recruitment & Safety Training
Rick Forsythe
Associate Director

Custodial Services
Kent Fine, Supervisor

Energy Management
Bill McLeod, Coordinator

Granite Police
Jerry Nielsen, Chief of Police

Maintenance Services
Larry Mitchell, Director

Planning & Boundaries
Paul Shepherd, Director

School Facilities
Jim Day, Director

School Food Services
Bob Ward, Director

Transportation
Tom Given, Director

Instructional Services
Linda Mariotti
Assistant Superintendent

Career & Technical Education
Craig Stoker
Director

Curriculum
James Taylor
GTI Program Administrator

Curriculum
Mary Alice Rudelich
Director

Instructional Technology
Dr. Jim Henderson
Director

Professional Learning
Sydney Dickson
Director

Dr. Christine Huley
Associate Director

Research, Assessment, & Evaluation
Dr. Darryl Thomas
Director

School Services
Kevin D. Hague
Assistant Superintendent

K-12 School Networks

Elementary Schools
Dr. Sharon Prescott
Director

Sue McGhie-Troff
Director

Dr. Rob Averett
Director

Sundee Listello
Director

Secondary Schools
Dr. Louie J. Long
Director

Dr. Annette Duzett
Director

Program Services
Dr. Paul S. Sagers, Jr.
Assistant Superintendent

Educational Equity
Dr. Hiagi Wesley, Director
Charlene Lui, Asst. Dir.

Dr. Paul Ross, Administrator

Granite Peaks Adult High School & Community Education
Dr. Claudia Thorum, Director

Pre-School Services
Brenda Broadbent, Director

Special Education
Dr. Kathryn McCarrie, Director
Robin Collett, Assoc. Dir.
Dennis Whiteley, Assoc. Dir.
Deborah Spark, Assoc. Dir.
Lynne Larsen-Miller, Assoc. Dir.
John Anderson, Principal,
Hartvigsen School

Jeff Rydvalch, Principal,
Hilda B. Jones Center

Student Services
Curt Hansen, Director
Dr. Mary Voelker, Assoc. Dir.
Janice Wayman, Assoc. Dir.
Janet O'Neill, Asst. Dir.
Dr. Sue Brady, Principal,
Central High

Business Services
David F. Garrett
Business Administrator

Accounting
Chris Lewis
Director

Budget Development
Mitch Robison
Director

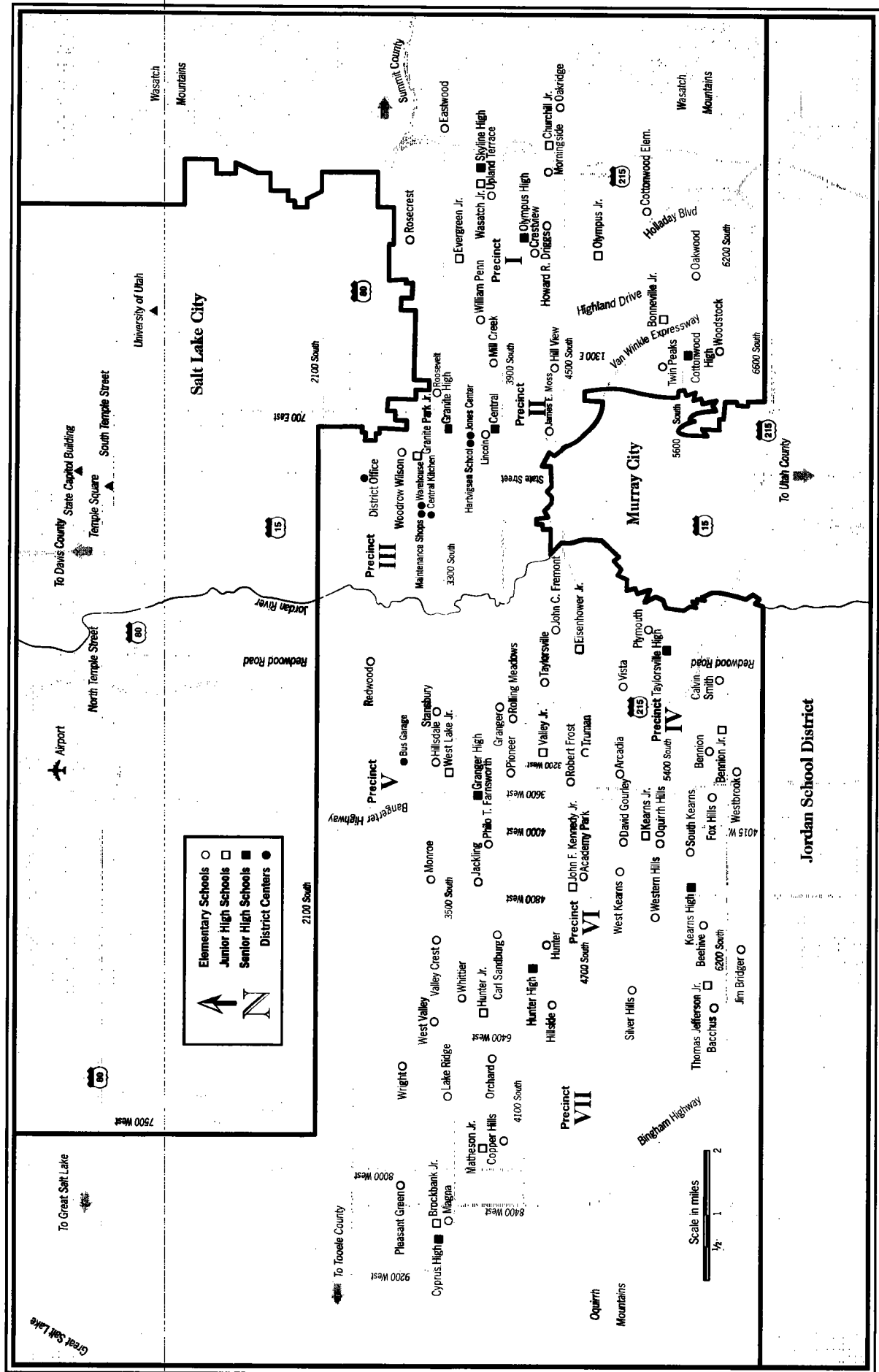
Information Systems
Dale Roberts
Director

Payroll
Richard Welch
Director

Purchasing, Printing, & Warehouse
Gary Hansen
Director

Safety, Property & Student Accounting
Kleth Bradshaw
Manager

GRANITE SCHOOL DISTRICT







Independent Auditor's Report

Board of Education
Granite School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Granite School District (District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 15 through 24 and the schedule of funding progress on page 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Agui & Company, P.C.

September 15, 2006

Management's Discussion and Analysis

As management, we present the following narrative overview and analysis of the Granite School District's financial activities for the year ended June 30, 2006. We encourage readers to consider it in conjunction with the transmittal letter on pages 1 to 6 and the basic financial statements which begin on page 26.

Financial Highlights

- The District's assets exceeded liabilities by \$322.5 million at the end of the fiscal year. Of this amount, \$20.0 million (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$23.3 million or 7.8% over the previous year. Most of this increase is attributable to continued investment in capital assets and includes a one-time infusion of insurance recovery due to the Wasatch Junior High building fire.
- As of June 30, 2006, the District's governmental funds reported combined ending fund balances of \$93.7 million, an increase of \$27.1 million in comparison with the prior year. Of this amount, \$3.1 million (unreserved, undesignated general fund balance) is available for spending at the District's discretion. The remainder is either reserved, designated, or limited by fund constraints for specific purposes.
- By the end of the current fiscal year, the remaining \$5 million of lease revenue bonds used to purchase the Granite Education Center had been retired.
- At the end of the current fiscal year, employee related long-term obligations were \$33.1 million. Of that amount, \$31.5 million of fund balance has been designated to finance these obligations.
- The District addresses the process of replacing and renovating aging school buildings on a pay-as-you-go basis. During the year ended June 30, 2006, the District spent \$24.0 million on land, new buildings, renovation of old buildings, and equipment. The District's long-range capital plan outlines the major capital projects for the next several years.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements can be found on pages 26 to 27.

Fund financial statements - A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate financial compliance with legal requirements. The fund financial statements provide detailed information about the most significant funds, not the District as a whole. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Most of the District's day-to-day operations are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *General Fund* and the *Capital Projects Fund*, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its *General Fund*. A budgetary comparison statement has been provided for the *General Fund* to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 28 to 32.

Proprietary funds - The District maintains two proprietary funds, both of which are internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses two internal service funds to account for services provided to all the other funds of the District: *Printing Services Fund* and *Employee Benefits Self-Insurance Fund*. The internal service funds have been included within governmental activities in the government-wide financial statements.

The two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 33 to 35.

Fiduciary fund - Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. The District's fiduciary fund is not reflected in the government-wide financial statement because the resources of that fund are not available to support the District's own programs.

The District uses an agency fund to account for resources held for student activities and groups.

The basic fiduciary fund financial statement can be found on page 36.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 37 to 51.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide a District retirement benefit to its employees. Required supplementary information can be found on page 52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 55 to 72.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The District had total net assets of \$322.5 million at June 30, 2006. This is an increase of \$23.3 million or 7.8% over the previous year. Most of this increase is attributable to continued investment in capital assets and includes a one-time infusion of insurance recovery due to the Wasatch Junior High building fire. At June 30, 2006, the investment in capital assets net of related debt of \$249.7 million (77.4% of all net assets) represents the capital assets that are used to provide services to students in the form of school buildings, buses, computers, furniture, etc. Consequently, these assets are not available for future spending needs. The District has not had outstanding general bonded debt since June 1996. Building replacements and renovations normally are completed on a pay-as-you-go basis. During the year ended June 30, 2006, the District made the second and final payment retiring the lease revenue bonds issued to help finance the acquisition of the District's new education center.

An additional portion of the District's net assets (16.4%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets increased by \$17.5 million during the 2006 fiscal year. This increase was primarily from receiving resources restricted for capital projects that had not been spent as of June 30, 2006.

GRANITE SCHOOL DISTRICT'S Net Assets (Governmental Activities)

(in millions of dollars)
June 30, 2006 and 2005

	2006	2005	Total Change 2006-2005
Current and other assets	\$ 290.8	\$ 252.0	\$ 38.8
Capital assets	249.7	242.8	6.9
Total assets	540.5	494.8	45.7
Other liabilities	184.9	178.6	6.3
Long-term liabilities	33.1	17.0	16.1
Total liabilities	218.0	195.6	22.4
Net assets:			
Invested in capital assets, net of related debt	249.7	237.7	12.0
Restricted	52.8	35.3	17.5
Unrestricted	20.0	26.2	(6.2)
Total net assets	\$ 322.5	\$ 299.2	\$ 23.3

Governmental Activities – Net assets increased by \$23.3 million or 7.8% during the year ended June 30, 2006. The following list highlights some of the key changes during the year:

- **Federal and state grant revenue** – Taken together, federal and state grants that are classified as program revenue and those not restricted to a specific purposes comprise the largest dollar increase in revenues of \$10.1 million. The District continues to pursue and successfully obtain viable grant opportunities to assist meeting long-term objectives.
- **Property tax revenue** – Property tax revenue increased by \$7.0 million, the majority of which was due to growth in new dwellings in the District with the remainder due to a tax increase.
- **Instructional services expenses** – As a school district, the large majority of all costs are the employee salary and benefits. In addition, of all salary and benefit costs, 70% are for instructional services. Therefore, when there are changes in the employee salary and/or benefit costs, those changes amplify in this function. For the year ended June 30, 2006, this function increased by 5% due to step & lane and cost of living increases related to salaries and benefits and increased 4% due to increased federal and state grant instructional expenses.
- **Operation and maintenance of facilities expenses** – The cost of maintaining facilities is directly related to the number, quality, and commitment to each building. As the amount invested in capital assets continues to increase each year, so too does the cost of maintaining facilities. This accounts for the increase of \$3.8 million for the year ended June 30, 2006 over the prior year.
- **Gain on insurance recovery** – In July, 2005 a fire caused irreparable damage to Wasatch Junior High. The building was insured and the insurance settlement resulted in a gain of \$15.5 million.

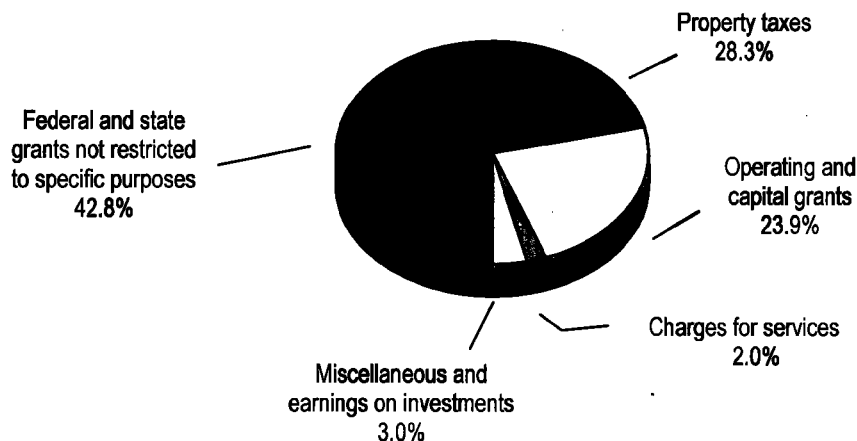
GRANITE SCHOOL DISTRICT'S Changes in Net Assets (Governmental Activities)

(in millions of dollars)

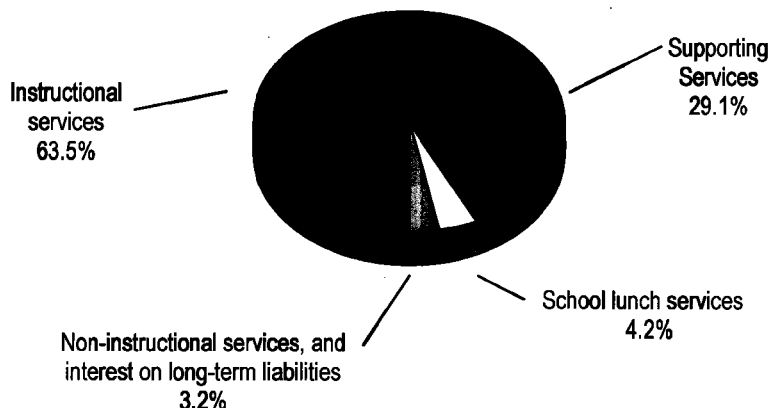
Year Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>	<u>Total Change 2006-2005</u>
Revenues:			
Program revenues:			
Charges for services	\$ 8.6	\$ 7.9	\$ 0.7
Operating grants and contributions	103.2	97.6	5.6
General revenues:			
Property taxes	122.4	115.4	7.0
Federal and state aid not restricted to specific purposes	185.4	180.9	4.5
Earnings on investments	5.3	2.5	2.8
Miscellaneous	7.7	8.2	(0.5)
Total revenues	<u>432.6</u>	<u>412.5</u>	<u>20.1</u>
Expenses:			
Instructional services	270.0	247.9	22.1
Supporting services:			
Students	17.1	16.1	1.0
Instructional staff	24.2	23.0	1.2
District administration	3.1	2.8	0.3
School administration	23.0	21.5	1.5
Business	7.8	7.4	0.4
Operation and maintenance of facilities	39.5	35.7	3.8
Transportation	8.9	8.7	0.2
School lunch services	18.0	17.0	1.0
Non-instructional services	13.6	11.5	2.1
Interest on long-term liabilities	-	0.2	(0.2)
Total expenses	<u>425.2</u>	<u>391.8</u>	<u>33.4</u>
Increase in net assets, before special and extraordinary items	<u>7.4</u>	<u>20.7</u>	<u>(13.3)</u>
Special item - gain on sale of real property	0.4	4.2	(3.8)
Extraordinary item - insurance recovery	15.5	-	15.5
Increase in net assets	<u>23.3</u>	<u>24.9</u>	<u>(1.6)</u>
Net assets - beginning	<u>299.2</u>	<u>274.3</u>	<u>24.9</u>
Net assets - ending	<u>\$ 322.5</u>	<u>\$ 299.2</u>	<u>\$ 23.3</u>

GRANITE SCHOOL DISTRICT'S Revenues by Source - Governmental Activities
Year Ended June 30, 2006



GRANITE SCHOOL DISTRICT'S Expenses by Function - Governmental Activities
Year Ended June 30, 2006



Financial Analysis of the District's Funds

Governmental funds - The focus of the District's governmental funds is to provide information on how money flows into and out of the funds and to show balances left at year-end available for spending. Under Utah law, it is illegal to budget for an unreserved, undesignated fund balance. This is in alignment with the concept that the revenues provided to a District are intended to be used during the period for which they were generated. That is to say that at the beginning of a fiscal year, undesignated fund balance is budgeted to be zero. If over the course of the year, the difference between budgeted and actual revenues and expenditures leaves an unspent balance, that unspent balance must be budgeted to be used in normal operations during the next fiscal year to prevent a District from accumulating excess funds.

Fund balances may (and in some cases must) be reserved or designated and carried over to the next year for specific purposes. As those specific purposes are part of next year's budget, those identified as reservations are not available for appropriation and those identified as designations, while available for

appropriation, are typically not appropriated but are held to meet the purpose for which they are designated. If the designations were to be appropriated, other funds would need to be identified to meet the purpose for which the funds were designated in the first place. Fund balances for the capital projects and other governmental funds are restricted by State law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

Total fund balances in the governmental funds increased by a net \$27.1 million during the year ended June 30, 2006 to \$93.7 million. The increase is made up of a \$16.7 million increase in the *General Fund* attributable primarily to insurance cost savings, a \$7.4 million increase in the *Capital Projects Fund* attributable to the collection of insurance proceeds from the Wasatch Junior High fire, and a \$3.0 million increase in other governmental funds attributable to lower purchased service costs and lower food costs as well as more federal and state funding.

General Fund - The *General Fund* is the primary operating fund of the District. Unreserved and undesignated fund balance in the general fund was \$3.1 million and total fund balance was \$48.6 million at June 30, 2006. The unreserved and undesignated fund balance decreased by \$0.1 million while total fund balance increased by \$16.7 million. The increase is due to actual insurance savings that has been designated for retirement benefits.

The *General Fund* has reserves or designations totaling \$45.5 million for the following purposes:

- **Undistributed reserve - \$9.5 million** - Utah law allows the establishment of an undistributed reserve within the *General Fund* not to exceed 5% of the budgeted expenditures of the *General Fund*. The fund has been created for contingencies or possible reductions in state funding and the law states that it cannot be used in negotiation or settlement of contract salaries.
- **Retirement benefits - \$29.4 million** - As described in notes 6 and 7 to the basic financial statements, the District provides a retirement benefit and an early retirement incentive program. The District provides resources for the obligations for these programs through a designation of fund balance in the *General Fund*.
- **Compensated absences - \$2.1 million** - These funds have been designated to cover unused vacation and sick pay in accordance with the accounting policies as outlined in note 1 to the financial statements.
- **Encumbrances - \$0.4 million** - Encumbrances represent commitments in the form of purchase orders. Funds have been set aside to cover outstanding purchase orders as of June 30, 2006.
- **Inventories and prepaid expenditures - \$3.9 million** - Some cash outlays for the 2007 fiscal year have been made during the 2006 fiscal year and are thus an asset rather than having been expensed. This results in an increase in fund balance. This increase, however, is not available for future appropriation because it is set aside to cover the expenses as they come in 2007.
- **Planned projects - \$0.3 million** - These funds have been set aside to cover 2006 budget items that were planned but unable to be used prior to June 30, 2006.

General Fund Budgetary Highlights

The Board revised the 2006 budget during the year. Budget amendments reflected changes in programs and related funding. Final budgeted revenues were \$2.0 million or 0.6% lower than original estimates. The most significant differences may be summarized as follows:

- **State revenue – (\$1.1) million or (0.5%)** – The budget for state revenue decreased due an increase in the amount of state revenue carried over at the end of this year compared to the prior year.
- **Federal revenue – (\$3.5) million or (10.4%)** – The budget for federal revenue decrease due to the nature of applying and obtaining federal grants. It is difficult to know at the beginning of the year how successful the District will be in acquiring grants. It is also difficult to know how much revenue will be recognized for any given grant because you can only recognize grant revenue in the amount equal to actual grant expenditures. When the original budget is compiled, the best known information is used at the time. However, near the end of the year, these matters have worked themselves out and are incorporated into the final budget. Each year, it is understood that the final budget could be quite different from the original.
- **Other local revenue – \$2.6 million or 3.2%** – The budget for other local revenue increased because property tax revenue estimates were higher than originally anticipated and there was an increase in interest rates of return on amounts invested.

The difference between the original budget and the final amended budget for total expenditures was a decrease of \$10.2 million or 2.9% in total expenditures. The most significant differences may be summarized as follows:

- **Instructional services – (\$4.2) million or (1.8%)** – The budget for instructional services decreased due to additional amounts planned to be unspent and instead carried over to the next year.
- **Instructional staff support services – (\$5.5) million or (23.3%)** - The budget for instructional staff support services decreased due to a reclassification of budgeted expenditures from this function to the instructional services function.

Actual revenues were \$1.7 million dollars more than amounts anticipated in the final budget. Actual expenditures were \$8.9 million less than the final amended budget. The largest positive variance was \$11 million or 4.8% in instructional services. This variance is the result of showing all available resources in the final budget and then actual expenditures are lower resulting in grants carried over for expenditure in the next fiscal year. The largest negative variance was \$5 million or 27.6% in instructional staff support due to expenditures in this function that had been budgeted for in another function.

Capital Asset and Debt Administration

The *Capital Projects Fund* accounts for the costs incurred for acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. At June 30, 2006, the District had several construction projects underway. Of those, the two major ones were:

- construction of Gerald Wright Elementary estimated at \$10.1 million when finished
- construction of Wilson Elementary estimated at \$7.9 million when finished

The following chart summarizes capital assets at June 30, 2006 and 2005:

GRANITE SCHOOL DISTRICT'S Capital Assets
June 30, 2006 and 2005
(net of accumulated depreciation, in millions of dollars)

	2006	2005	Total change 2006-2005
Land	\$ 22.6	\$ 22.7	\$ (0.1)
Construction in progress	18.3	10.6	7.7
Buildings and improvements	188.3	186.8	1.5
Land improvements	7.6	9.0	(1.4)
Vehicles	6.7	6.6	0.1
Furniture and equipment	6.2	7.1	(0.9)
Total capital assets	<u>\$ 249.7</u>	<u>\$ 242.8</u>	<u>\$ 6.9</u>

Additional information on the District's capital assets can be found in note 4 to the basic financial statements.

Debt Administration. The District issued \$10.1 million in lease revenue bonds on April 5, 2004. During the fiscal year ended June 30, 2006, the District paid the final lease revenue bond payment and retired the debt.

The District has not had any outstanding general obligation bonded debt since June 1996. The general obligation bonded debt is limited by Utah law to 4% of the fair market value of the total taxable property. The current unused legal debt capacity is \$958.9 million.

GRANITE SCHOOL DISTRICT'S Outstanding Debt
June 30, 2006 and 2005
(in millions of dollars)

	2006	2005	Total change 2006-2005
Lease revenue bonds payable	\$ -	\$ 5.1	\$ (5.1)
Fitness equipment lease	-	0.5	(0.5)
	<u>\$ -</u>	<u>\$ 5.6</u>	<u>\$ (5.6)</u>

Additional information on the District's outstanding debt can be found in note 9 to the basic financial statements.

Student Enrollment

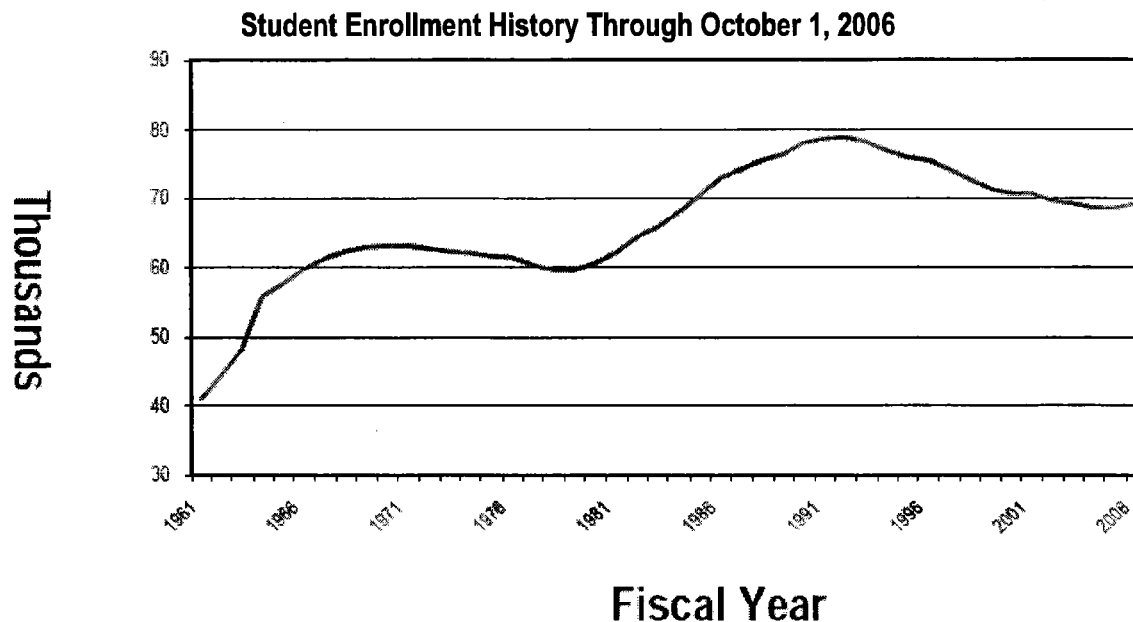
Student enrollment peaked during the 1992-1993 year at 78,819 students. Enrollment has been declining every year since that time. On October 1, 2005, student enrollment was 66,299 or 379 students fewer than the prior-year level.

Enrollment has declined as neighborhoods have aged and there are fewer school age children remaining. This aging process has been most noticeable on the east side of the District. Parts of the west side have seen rapid growth as new neighborhoods have been built. Much of the new growth in Salt Lake County has been south of the District.

Declining enrollments are a financial concern because the District receives state funding based upon the number of students that are served. As enrollment declines, so does state funding. As funding declines it becomes increasingly difficult to balance the District's budget and to provide for all of the critical funding needs.

Every year, the District looks at student population by school to identify possible closures of severely underutilized buildings. However, school buildings have been difficult to close even with declining enrollments. The following factors make school closures a challenge:

- The District began to receive class size reduction funding from the state during the early 1990's. The funding has enabled approximately 400 additional teachers to be hired annually and has increased the demand for classrooms.
- The enrollment decline has been spread across many schools.
- The schools were very overcrowded when enrollment peaked. The District still uses a large number of portable classrooms. In addition, 17 elementary schools still use a year-round schedule to reduce overcrowding.



Requests for Information

This financial report is designed to provide our citizens, taxpayers, students and all other interested parties with a general overview of the District's finances and to show accountability for tax dollars and funding from other governments. If you have questions about this report or need additional financial information, contact the Business Administrator, Granite School District, 2500 South State Street, Salt Lake City, UT 84115-3110.

Basic Financial Statements

GRANITE SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities
Assets:	
Cash and investments	\$ 132,788,738
Receivables:	
Property taxes	130,785,271
Other local	7,544,943
State	1,056,229
Federal	13,770,210
Prepaid expenses	545,819
Inventories	4,318,116
Capital assets:	
Land, construction in progress, and water stock	40,949,797
Other capital assets, net of accumulated depreciation	208,746,482
Total assets	<u>540,505,605</u>
Liabilities:	
Accounts payable	8,107,288
Accrued salaries and related benefits	32,464,738
Health and accident insurance payable	5,242,122
Unemployment insurance payable	9,990
Unearned revenue:	
Property taxes	126,702,150
Other local	720,057
State	11,594,501
Federal	110,569
Long-term liabilities:	
Portion due or payable within one year	9,383,118
Portion due or payable after one year	23,707,816
Total liabilities	<u>218,042,349</u>
Net Assets:	
Invested in capital assets, net of related debt	249,696,279
Restricted for:	
Capital projects	43,953,598
Non K-12 programs	1,888,317
Education foundation	1,279,242
School lunch	5,292,700
Success charter school	364,864
Unrestricted	19,988,256
Total net assets	<u>\$ 322,463,256</u>

The notes to the basic financial statements are an integral part of this statement.

GRANITE SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2006

Activities or Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instructional services	\$ 269,964,191	\$ 1,579,857	\$ 65,231,271	\$ (203,153,063)
Supporting services:				
Students	17,140,175	72,579	4,861,936	(12,205,660)
Instructional staff	24,207,905	234,464	9,207,750	(14,765,691)
District administration	3,106,869	19,992	2,960	(3,083,917)
School administration	23,009,057	145,976	381,646	(22,481,435)
Business	7,755,692	71,189	4,717	(7,679,786)
Operation and maintenance of facilities	39,465,012	256,211	395,982	(38,812,819)
Transportation	8,863,439	125,083	2,938,595	(5,799,761)
School lunch services	17,981,777	5,130,456	14,166,744	1,315,423
Noninstructional services	13,664,629	924,682	6,047,914	(6,692,033)
Interest on long-term liabilities	42,447	-	-	(42,447)
Total school district	<u>\$ 425,201,193</u>	<u>\$ 8,560,489</u>	<u>\$ 103,239,515</u>	<u>\$ (313,401,189)</u>
General revenues:				
Property taxes levied for:				
Basic state supported program for regular K-12 instruction (set by state legislature)				32,754,438
Voted leeway program for regular K-12 instruction				29,658,800
School board leeway program for class size reduction				7,414,700
School board K-3 reading program for improvement of reading skills				2,242,947
Special transportation for required special and hazardous bus routes				1,297,573
Judgments				426,345
Capital outlay for buildings and other capital needs for instruction				25,729,009
Ten percent additional basic program for construction, textbooks, and supplies				18,388,456
Community recreation for community based programs				4,504,430
Federal and state grants and contributions not restricted to specific programs				185,424,215
Earnings on investments				5,278,726
Miscellaneous				7,672,435
Special item - gain on sale of real property				376,894
Extraordinary item - gain on insurance recovery				15,500,000
Total general revenues, special items, and extraordinary items				<u>336,668,968</u>
Change in net assets				23,267,779
Net assets - beginning				<u>299,195,477</u>
Net assets - ending				<u>\$ 322,463,256</u>

The notes to the basic financial statements are an integral part of this statement.

GRANITE SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2006

	Major Funds		Other	Total
	General	Capital Projects	Governmental Funds	Governmental Funds
Assets:				
Cash and investments	\$ 131,051,359	\$ -	\$ 1,737,379	\$ 132,788,738
Receivables:				
Property taxes	78,839,516	47,133,396	4,812,359	130,785,271
Other local	877,535	6,394,735	181,763	7,454,033
State	330,920	-	725,309	1,056,229
Federal	12,098,630	163,268	1,508,312	13,770,210
Prepaid expenditures	424,571	110,245	9,510	544,326
Inventories	3,432,346	-	807,211	4,239,557
Due from other funds	-	45,146,425	23,594,108	68,740,533
Total assets	<u>\$ 227,054,877</u>	<u>\$ 98,948,069</u>	<u>\$ 33,375,951</u>	<u>\$ 359,378,897</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 3,156,800	\$ 4,286,639	\$ 576,301	\$ 8,019,740
Accrued salaries and related benefits	8,064,018	5,008,067	19,035,825	32,107,910
Due to other funds	76,493,997	-	-	76,493,997
Unearned revenue:				
Property taxes	78,633,424	47,010,186	4,799,779	130,443,389
Other local	439,735	6,201,683	242,447	6,883,865
State	11,560,363	-	34,138	11,594,501
Federal	110,569	-	-	110,569
Total liabilities	<u>178,458,906</u>	<u>62,506,575</u>	<u>24,688,490</u>	<u>265,653,971</u>
Fund Balances:				
Reserved for:				
Encumbrances	398,583	4,506,024	356,934	5,261,541
Construction commitments	-	2,951,528	-	2,951,528
Prepaid expenditures	424,571	110,245	9,510	544,326
Inventories	3,432,346	-	807,211	4,239,557
Unreserved:				
Designated for:				
Undistributed reserve	9,500,000	-	-	9,500,000
Catastrophic events	-	1,959,357	-	1,959,357
Planned projects	271,211	23,816,738	35,000	24,122,949
Equipment	-	1,500,000	-	1,500,000
Equipment, reported in special revenue funds	-	-	3,400,000	3,400,000
Schools, reported in special revenue funds	-	-	134,384	134,384
Retirement benefits	29,374,242	-	-	29,374,242
Compensated absences	2,114,433	-	-	2,114,433
Undesignated, reported in:				
General fund	3,080,585	-	-	3,080,585
Capital projects fund	-	1,597,602	-	1,597,602
Special revenue funds	-	-	3,944,422	3,944,422
Total fund balances	<u>48,595,971</u>	<u>36,441,494</u>	<u>8,687,461</u>	<u>93,724,926</u>
Total liabilities and fund balances	<u>\$ 227,054,877</u>	<u>\$ 98,948,069</u>	<u>\$ 33,375,951</u>	<u>\$ 359,378,897</u>

The notes to the basic financial statements are an integral part of this statement.

GRANITE SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2006

Total fund balances for governmental funds	\$ 93,724,926
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Total *net assets* reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 22,609,824	
Construction in progress	18,303,752	
Water stock	36,221	
Buildings and improvements, net of \$193,793,513 accumulated depreciation	188,177,585	
Land improvements, net of \$9,668,610 accumulated depreciation	7,621,940	
Vehicles, net of \$13,956,074 accumulated depreciation	6,721,936	
Furniture and equipment, net of \$15,524,730 accumulated depreciation	6,167,046	249,638,304

Some of the District's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds:

Property taxes	3,741,239	
Insurance recovery	6,163,808	9,905,047

Internal service funds are used by the District to charge the costs of printing and insurance (medical, industrial, and unemployment compensation) services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net asset balances at year-end are:

1,354,089

Long-term liabilities applicable to the District's governmental funds are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets. Balances at year-end are:

Compensated absences	(4,184,868)	
Early retirement compensation	(13,232,941)	
District retirement compensation	(14,741,301)	(32,159,110)

Total net assets of governmental activities

\$ 322,463,256

The notes to the basic financial statements are an integral part of this statement.

GRANITE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	Major Funds		Other	Total
	General	Capital Projects	Governmental Funds	Governmental Funds
Revenues:				
Property taxes	\$ 73,891,784	\$ 44,523,264	\$ 4,545,863	\$ 122,960,911
Earnings on investments	2,129,331	1,697,570	986,317	4,813,218
School lunch sales	-	-	5,130,456	5,130,456
Other local	9,092,757	278,733	8,250,841	17,622,331
State	230,754,050	2,184,641	6,545,847	239,484,538
Federal	32,697,345	1,362,398	15,119,449	49,179,192
Total revenues	<u>348,565,267</u>	<u>50,046,606</u>	<u>40,578,773</u>	<u>439,190,646</u>
Expenditures:				
Current:				
Instructional services	220,476,389	-	494,353	220,970,742
Supporting services:				
Students	15,773,681	-	-	15,773,681
Instructional staff	23,080,330	-	-	23,080,330
District administration	2,799,177	-	-	2,799,177
School administration	21,150,316	-	-	21,150,316
Business	6,825,886	-	-	6,825,886
Operation and maintenance of facilities	35,823,201	-	-	35,823,201
Transportation	7,111,688	-	-	7,111,688
School lunch services	-	-	18,556,276	18,556,276
Noninstructional services	-	-	13,646,845	13,646,845
Capital outlay	-	51,232,725	13,724	51,246,449
Debt service:				
Principal payments	-	462,022	5,050,000	5,512,022
Interest and fiscal charges	-	4,800	101,000	105,800
Total expenditures	<u>333,040,668</u>	<u>51,699,547</u>	<u>37,862,198</u>	<u>422,602,413</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,524,599</u>	<u>(1,652,941)</u>	<u>2,716,575</u>	<u>16,588,233</u>
Other financing sources (uses):				
Sale of equipment	-	51,909	-	51,909
Sale of real property	-	1,239,575	-	1,239,575
Transfers in (out)	1,177,564	(1,576,583)	285,779	(113,240)
Total other financing sources (uses)	<u>1,177,564</u>	<u>(285,099)</u>	<u>285,779</u>	<u>1,178,244</u>
Extraordinary item:				
Insurance proceeds	-	9,336,192	-	9,336,192
Net change in fund balances	<u>16,702,163</u>	<u>7,398,152</u>	<u>3,002,354</u>	<u>27,102,669</u>
Fund balances - beginning	<u>31,893,808</u>	<u>29,043,342</u>	<u>5,685,107</u>	<u>66,622,257</u>
Fund balances - ending	<u>\$ 48,595,971</u>	<u>\$ 36,441,494</u>	<u>\$ 8,687,461</u>	<u>\$ 93,724,926</u>

The notes to the basic financial statements are an integral part of this statement.

GRANITE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2006

Net change in fund balances—total governmental funds **\$ 27,102,669**

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for land, vehicles, and equipment and \$100,000 for buildings and improvements and land improvements is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	\$ 23,951,564	
Gain on sale of capital assets	376,894	
Proceeds from sales of capital assets	(1,291,484)	
Depreciation expense	<u>(16,121,972)</u>	6,915,002

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Interest expense - capital leases	851	
Principal payments of capital leases	<u>462,022</u>	462,873

Some of the District's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds. The changes in unearned revenues consist of:

Property taxes	(544,213)	
Insurance recovery	<u>6,163,808</u>	5,619,595

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. The net changes in other long-term liabilities are:

Lease revenue bonds	5,050,000	
Amortization on lease revenue bond premium	37,252	
Amortization on lease revenue bond issuance costs	(43,448)	
Accrued interest on lease revenue bonds	25,250	
Compensated absences payable	(112,450)	
Early retirement compensation payable	(6,717,422)	
District retirement compensation payable	<u>(14,741,301)</u>	(16,502,119)

Internal service funds are used by the District to charge the costs of printing and insurance (medical, industrial, and unemployment compensation) services to individual funds. The internal service funds revenues, expenses, and changes in net assets are reported with governmental activities.

(330,241)

Change in net assets of governmental activities **\$ 23,267,779**

The notes to the basic financial statements are an integral part of this statement.

GRANITE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 72,503,417	\$ 74,164,621	\$ 73,891,784	\$ (272,837)
Earnings on investments	1,350,000	1,949,347	2,129,331	179,984
Other local	7,858,243	8,175,013	9,092,757	917,744
State	233,642,652	232,490,185	230,754,050	(1,736,135)
Federal	33,573,699	30,077,740	32,697,345	2,619,605
Total revenues	348,928,011	346,856,906	348,565,267	1,708,361
Expenditures:				
Current:				
Instructional services	235,672,360	231,478,380	220,476,389	11,001,991
Supporting services:				
Students	16,768,094	16,768,185	15,773,681	994,504
Instructional staff	23,630,285	18,143,790	23,080,330	(4,936,540)
District administration	3,179,546	2,952,862	2,799,177	153,685
School administration	21,874,299	21,882,471	21,150,316	732,155
Business	7,347,353	7,342,710	6,825,886	516,824
Operation and maintenance of facilities	35,986,841	36,103,835	35,823,201	280,634
Transportation	7,610,489	7,222,073	7,111,688	110,385
Total expenditures	352,069,267	341,894,306	333,040,668	8,853,638
Excess (deficiency) of revenues over (under) expenditures	(3,141,256)	4,962,600	15,524,599	10,561,999
Other financing sources:				
Transfer in	1,748,904	1,368,669	1,177,564	(191,105)
Net change in fund balances	(1,392,352)	6,331,269	16,702,163	10,370,894
Fund balances - beginning	28,177,773	31,893,808	31,893,808	-
Fund balances - ending	\$ 26,785,421	\$ 38,225,077	\$ 48,595,971	\$ 10,370,894

The notes to the basic financial statements are an integral part of this statement.

GRANITE SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Governmental Activities - Internal Service Funds
Assets:	
Current assets:	
Accounts receivable - other local	\$ 90,910
Prepaid expenses	1,493
Inventories	78,559
Due from other funds	7,753,464
Total current assets	<u>7,924,426</u>
Noncurrent assets:	
Equipment	430,224
Accumulated depreciation	(372,249)
Net capital assets	<u>57,975</u>
Total assets	<u>7,982,401</u>
Liabilities:	
Current liabilities:	
Accounts payable	87,548
Accrued salaries and related benefits	356,828
Health and accident insurance payable	5,242,122
Workers compensation payable	913,188
Unemployment insurance payable	9,990
Total current liabilities	<u>6,609,676</u>
Noncurrent liabilities:	
Workers compensation payable	18,636
Total noncurrent liabilities	<u>18,636</u>
Total liabilities	6,628,312
Net assets:	
Invested in capital assets	57,975
Unrestricted	1,296,114
Total net assets	<u>\$ 1,354,089</u>

The notes to the basic financial statements are an integral part of this statement.

GRANITE SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2006

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	\$ 36,282,415
Operating expenses:	
Salaries	273,797
Employee benefits	108,059
Medical claims	21,419,049
Medical premiums	6,630,480
Prescription claims	4,730,287
Medical administrative fees	1,611,506
Medical reinsurance premiums	614,869
Industrial claims	1,469,092
Unemployment claims	57,766
Purchased services	148,948
Supplies and materials	109,892
Depreciation	17,659
Total operating expenses	37,191,404
Operating (loss) / change in net assets	(908,989)
Nonoperating revenues:	
Earnings on investments	465,508
Net (loss) before transfers	(443,481)
Transfers in	113,240
Change in net assets	(330,241)
Total net assets - beginning	1,684,330
Total net assets - ending	\$ 1,354,089

The notes to the basic financial statements are an integral part of this statement.

GRANITE SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2006

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Receipts from interfund services provided	\$ 36,223,536
Payments to employees	(324,597)
Payments to suppliers for goods and services	(547,132)
Payments for medical fees and insurance claims	(35,824,636)
Payments as assessments from other funds	(82,031)
Net cash (used) by operating activities	<u>(554,860)</u>
Cash flows from noncapital financing activities:	
Operating transfers in from other funds	113,240
Cash flows from capital and related financing activities:	
Purchase of equipment	(23,888)
Cash flows from investing activities:	
Earnings on investments	<u>465,508</u>
Net change in cash and cash equivalents	-
Cash and cash equivalents - beginning	<u>-</u>
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating (loss) to net cash (used) by operating activities:	
Operating (loss) / change in net assets	\$ (908,989)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Non cash item - depreciation	17,659
(Increase) in operating assets:	
Accounts receivable - other local	(58,879)
Due from other funds	(82,031)
Inventories	(30,273)
Prepaid expenses	989
Increase (decrease) in operating liabilities:	
Accounts payable	(259,008)
Accrued salaries and related benefits	57,259
Health and accident insurance payable	619,806
Workers compensation payable	96,955
Unemployment insurance payable	(8,348)
Total adjustments	<u>354,129</u>
Net cash (used) by operating activities	<u><u>\$ (554,860)</u></u>
Noncash investing, capital, and financing activities:	none

The notes to the basic financial statements are an integral part of this statement.

GRANITE SCHOOL DISTRICT
Statement of Assets and Liabilities
Agency Fund
June 30, 2006

	<u>Student Activities Fund</u>
Assets:	
Cash and investments	\$ 7,418,639
Accounts receivable - other local	<u>17,037</u>
	<u>\$ 7,435,676</u>
Liabilities	
Accounts payable	\$ 739,184
Due to student organizations	<u>6,696,492</u>
Total liabilities	<u>\$ 7,435,676</u>

The notes to the basic financial statements are an integral part of this statement.

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements - June 30, 2006

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of the Granite School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A) Reporting Entity

The District is a legally separate, fiscally independent government entity of the State of Utah with its own elected governing body. As required by GAAP, these financial statements present all the fund types of the District and the blended component units for which the District is considered to be financially accountable. The blended component units, although legally separate, are in substance, part of the District's operations. The District is not a component unit of any other government.

The Board of Education is the governing authority for the District, and is comprised of seven members elected by the qualified electors who reside within the boundaries serviced by the District. Each member serves for four years and is elected from the precinct in which the member resides. The Board establishes District policies, approves the budget, appoints a superintendent with responsibilities for administering all educational activities of the District, and appoints a business administrator/treasurer with responsibilities for fiscal activities. In addition, the Board is authorized to issue bonds, incur short-term debt, and levy ad valorem taxes. All funds, including financial activity over which the Board has governance, are included in the financial statements.

Blended Component Unit – The Granite Education Foundation (GEF). The Foundation, a nonprofit organization under IRS regulations, raises tax-deductible donations to be used for educational related purposes within the District. Due to the relationship between the District and the Foundation, it would be misleading to exclude the financial information of the Foundation from this report. The Foundation exclusively services the District. The Foundation's Board is comprised of 35 members, eight of whom are designated as executive members. The Foundation's Board appoints all members. The Foundation is presented as a non-major special revenue fund included in the other governmental funds of the District. Financial information specific to the Foundation may be obtained by writing the Foundation at 450 East 3700 South, Salt Lake City, Utah 84115-4634.

Blended Component Unit – Granite School District Municipal Building Authority. The District created a municipal building authority (MBA) during fiscal year 2004 for the purpose of issuing lease revenue bonds for the purchase and remodel of the Granite Education Center. MBA accounts and transactions are recorded the *Granite Education Center Fund*, a non-major capital projects fund included in the other governmental funds of the District. The MBA received lease revenue from the *Capital Projects Fund* (a major fund of the District). The lease revenue was used to make the bond payments and fund a portion of the remodeling costs. The bonds were retired during the 2006 fiscal year and the fund will cease to exist in future years. See note 9 regarding details of the bond issuance and payment schedule. Financial information specific to the MBA may be obtained from the office of the business administrator of the District.

B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and statement of changes in net assets) report on all of the nonfiduciary activities of the District, Foundation, and MBA. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions occur only when the elimination of such activity would distort the expenses and revenues reported by function. The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among programs revenues are reported instead as general revenues. Restrictions imposed on a portion of the District's net assets by binding laws and regulations of other entities are reported as restricted net assets and are net of any related liabilities. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the District considers revenues are available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However expenditures related to principal and interest on general long-term debt, compensated absences, early retirement, and early retirement healthcare benefits are recognized to the extent they have matured (when payment is due). General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual because of legal and other requirements and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *Capital Projects Fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for students within the District.

Additionally, the District reports the following fund types:

- The District has two internal service funds (proprietary funds). 1) The *Printing Services Fund* is used to account for the revenues and expenses associated with providing printing services by the District's printing services department to schools and other departments of the District on a cost-reimbursement basis. 2) The *Employee Benefits Self-Insurance Fund* is used to account for the costs of the District's self-insured plans for medical insurance, industrial insurance, and unemployment compensation.

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

Annual premiums are charged to the other funds based upon total projected expenditures. Benefit payments and administrative fee payments are made to third-party administrators who approve and process all claims. Operating revenue in these two funds consists of direct charges for services provided. Operating expenses in these two funds consist of the cost of providing services, administrative expenses, and depreciation on capital assets. Non-operating revenues would be those not directly related to services provided.

- The *Student Activities Fund* (a fiduciary fund) is used to account for student funds generated within the various schools by the schools, students, or other school organizations. The District holds the *Student Activities Fund's* assets in a custodial capacity. Agency funds are accounted for using the accrual basis of accounting. Because Agency Funds are custodial in nature, they do not measure results of operations or have a measurement focus.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D) Budget Policies and Procedures:

Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are legally required and have been adopted for each governmental fund, except budgets are not adopted on a District level for the *Granite Education Foundation Fund*, a special revenue fund, or the *Student Activities Fund*, a fiduciary fund. Budgets are also adopted for the internal service funds; budgets for the internal service funds are presented on the accrual basis of accounting. Unencumbered annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. The laws of the State govern budget policies. The District's budget procedures are in accordance with those laws and are summarized as follows:

- 1) Prior to June 1 each year, the District superintendent submits to the Board a proposed operating budget for the fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the year ended June 30, 2006.
- 2) Copies of the proposed budget are made available for public inspection for a period of at least 15 days.
- 3) A public hearing is held prior to June 22 in which the budget is legally adopted by resolution of the Board after obtaining taxpayer input.
- 4) Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the Superintendent, can approve reductions in appropriations, but increased appropriations by fund require a public hearing prior to amending the budget. Management may make interim transfers from one appropriation to another within any given fund. All such interim transfers made by management are reviewed and approved by the Board. All interim transfers made in the year ended June 30, 2006 were approved by the Board on or before June 22, 2006.
- 5) Minor interim adjustments in estimated revenue and appropriations during the fiscal year have been included in the fiscal budget approved by the Board, as presented in the financial statements.

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

- 6) Expenditures may not legally exceed budgeted appropriations at the fund level, which is the level at which the Board must approve any over expenditures of appropriations or transfers of appropriated amounts. Because of this, the budget of the Granite School District is usually amended once each year, when the Board also takes action on the new fiscal year budget. The amendments made to the budget for the year ended June 30, 2006 are not considered significant.

E) Encumbrances:

An encumbrance accounting system, in which purchase order commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is used in all funds except for the *Student Activities Fund*. Because an encumbrance is only a commitment, it does not meet the expenditure or liability recognition criteria. Encumbrances and appropriations outstanding at the end of the fiscal year lapse with the exception of those indicated as a fund balance reserve. The District intends to honor these commitments and provides for the expenditure in the subsequent year.

F) Deposits and Investment:

The District's investments in the Utah Public Treasurers' Investment Fund (an external investment pool) are valued at fair value (based on the corresponding liability to pool participants). See note 2 for further information regarding cash and investments.

G) Due To/From Other Funds:

Outstanding balances resulting from transactions between funds as of June 30, 2006 consist of the following:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ -	\$ 76,493,997
Other Governmental Funds	23,594,108	-
Capital Projects Fund	45,146,425	-
Internal Service Funds	7,753,464	-
Total	<u>\$ 76,493,997</u>	<u>\$ 76,493,997</u>

All transactions between funds represent "due to/from other funds" caused by cash from one fund paying for expenditures or expenses of another. The District did not incur transactions between funds that would represent lending/borrowing arrangements outstanding at the end of the fiscal year.

H) Transfers Between Funds:

Transfers between funds during the year ended June 30, 2006 are as follows:

Fund	Transfers In	Transfers Out	Net Transfers
General Fund	\$ 1,576,583	\$ (399,019)	\$ 1,177,564
Capital Projects Fund	-	(1,576,583)	(1,576,583)
Other Governmental Funds	285,779	-	285,779
Internal Service Funds	113,240	-	113,240
Total	<u>\$ 1,975,602</u>	<u>\$ (1,975,602)</u>	<u>\$ -</u>

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

By law, tax proceeds from the "ten percent of basic levy" may be used for debt service, construction or remodeling of school buildings, and the purchase of school sites, buses, equipment, textbooks, and supplies. The District recorded 100% of the proceeds from this levy in the *Capital Projects Fund* and then transferred \$1,576,583 to the *General Fund* to pay for the purchase of textbooks and supplies. The *General Fund* transferred \$113,240 to cover an operating deficit in the *Printing Services Fund* (an *Internal Service Fund*). The *General Fund* also funded a portion of the salaries of the *Granite Education Foundation Fund* (reported as an other governmental fund) via the transfer of \$285,779.

I) Inventories:

Inventories consist of various school supplies, custodial and maintenance supplies, house projects constructed by students, and various food items. Inventories are valued at cost or, if donated, at fair value when received, using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Donated food commodities are reported in the governmental funds as revenue when received. Inventory amounts are reserved in the fund balance of the fund in which they are reported.

J) Prepaid Expenditures:

Prepaid expenditures are accounted for in the governmental funds and consist of textbooks and various school supplies that will be utilized in the following year and applied against appropriations of that year. The amount of the prepaid expenditures is reserved in the fund balance in which they are reported.

K) Capital Assets:

Capital assets include both depreciable and non-depreciable assets and are reported in the government-wide financial statements. Non-depreciable assets include land, water stock and current construction in progress. Depreciable assets include buildings and improvements, certain land improvements, vehicles, and equipment. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, vehicles and equipment and \$100,000 for buildings and improvements and land improvements and an estimated useful life in excess of four years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance or repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Buildings and improvements, land improvements, vehicles, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings	40
Building improvements	10
Land improvements	10
Buses and vehicles	10
Playground equipment and furniture	10
Computer equipment	5

L) Compensated Absences:

Full-time, twelve-month employees earn varying amounts of vacation and sick leave according to salary classification and years of employment. Vacation leave accrues at between 10 to 20 days per year. The unused balance carries forward up to a maximum of one and one half times the annual vacation accrual.

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

Accrued unused vacation days are paid in full at termination or retirement at the then current pay rate. Sick leave accrues at up to 13.2 sick days per year with no maximum imposed on the unused sick leave balance. Only classified and secretarial employees are paid for accrued unused sick days. Classified employees are paid 25% of the balance of their unused sick days at the then current pay rate only upon retirement. Secretaries, having a minimum of 5 full consecutive years of service, are entitled to a payment of 25% of the balance of their unused sick days at the then current pay rate either upon retirement or termination. All other employees are not paid for unused sick days.

Vacation pay plus related payroll taxes is accrued when incurred in the government-wide and internal service fund financial statements. A liability for these amounts is reported in the governmental funds only if matured, for example, as a result of employee resignations and retirements, the balance is recorded as a designation. The liquidation of the liability is typically reported in the fund in which each employee's salary is reported.

M) Statement of Cash Flows and Supplemental Cash Flows Information:

For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

N) Reservations and Designations of Fund Balances:

Portions of fund equity are segregated for future use, and are therefore not available for future appropriation or expenditure for general use. Amounts reserved for encumbrances, inventories, prepaid expenditures, and construction commitments represent portions of fund equity required to be segregated in accordance with state law or generally accepted accounting principles. Designations of unreserved fund balances in governmental funds indicate the utilization of these resources in the ensuing year's budget or tentative plans for future use.

Utah State law allows for the establishment of a designation of an undistributed reserve for contingencies. The Board must authorize all expenditures from this undistributed reserve. According to state law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. In addition, the undistributed reserve may not exceed 5% of the budgeted expenditures of the *General Fund*. The expenditure of the reserve requires a written resolution adopted by a majority vote of the Board filed with the Utah State Board of Education and State Auditor.

NOTE 2 - Cash and Investments

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2006, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 10,861,743
Carrying amount of investments	129,345,634
Total cash and investments	<u>\$ 140,207,377</u>
Governmental funds cash and investments	\$ 132,788,738
Internal service fund cash and investments	<u>-</u>
Statement of net assets cash and investments	132,788,738
Student Activity Fund cash and investments	<u>7,418,639</u>
Total cash and investments	<u>\$ 140,207,377</u>

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

The District complies with the State Money Management Act (Utah Code Section 51, Chapter 7) (Act) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The District considers the actions of the Council to be helpful oversight for protection of its uninsured bank deposits.

Rules of the Council allow Granite Education Foundation to invest private grants, contributions, and endowments in any deposit or investment authorized by the Act and certain investment funds, equity securities, fixed-income securities, and investment strategies with institutions that meet certain restrictions.

All of the District's investments are with the PTIF. The Foundation has deposits separate from the District and invests private funds through a broker. The Foundation's deposits and investments comprise the majority portion of the aggregated governmental nonmajor funds and those deposits and investments bear risks that differ from those of the District. Accordingly, the Foundation's deposits and investments are reported separately in the following schedules:

A) Deposits:

At June 30, 2006, the District (including *Student Activity Fund*) and the Foundation have the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Granite School District	\$ 10,608,363	\$ 13,017,540	\$ 3,491,374
Granite Education Foundation	253,380	265,628	150,351
Total deposits	<u>\$ 10,861,743</u>	<u>\$ 13,283,168</u>	<u>\$ 3,641,725</u>

- 1) Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2006, \$9,526,166 of the District's and \$115,277 of the Foundation's bank deposits were uninsured and uncollateralized.

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

B) Investments:

At June 30, 2006, the District (including the *Student Activity Fund*) and the Foundation have the following investments summarized by investment type and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Granite School District:					
Utah Public Treasurers' Investment Fund (PTIF)	\$ 127,873,158	\$ 127,873,158	\$ -	\$ -	\$ -
Granite Education Foundation, a special revenue fund:					
Mutual funds investing in:					
Common stocks	647,612	647,612	-	-	-
Corporate bonds	64,808	64,808	-	-	-
Government bonds	67,067	67,067	-	-	-
Money market deposits	160,008	160,008	-	-	-
Common stocks	304,287	304,287	-	-	-
Preferred stocks	179,427	59,924	108,971	-	10,532
Corporate bonds	29,235	19,989	9,246	-	-
Government bonds	20,032	15,750	4,282	-	-
Total Foundation	1,472,476	1,339,445	122,499	-	10,532
Total investments	\$ 129,345,634	\$ 129,212,603	\$ 122,499	\$ -	\$ 10,532

Some of the preferred stocks, corporate bonds, and government bonds mature later than the year presented; these are presented in the year they are callable.

- 1) **Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years. The Foundation can invest private funds in fixed-income securities with a dollar-weighted average maturity not to exceed ten years.
- 2) **Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service, Inc. or by Standard and Poor's Corporation. The District has no investment policy that would further limit its investment choices. At June 30, 2006, the District and the Foundation have the following investments subject to credit risk:

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

Investment Type	Fair Value	Credit Quality Ratings		
		AA/A	Less Than A	Unrated
Granite School District:				
Utah Public Treasurers' Investment Fund (PTIF)	\$ 127,873,158	\$ -	\$ -	\$ 127,873,158
Granite Education Foundation:				
Preferred stocks	179,427	96,638	82,789	-
Corporate bonds	29,235	19,989	9,246	-
All other investments	1,263,814	-	-	1,263,814

- 3) **Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District's total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer. The Foundation can invest private funds in certain equity and fixed-income securities provided no more than 5% of all funds are invested in any one issuer and no more than 25% of all funds are invested in a particular industry. Also, for the Foundation's investments in private funds, no more than 75% may be invested in equity securities and no more than 5% in collateralized mortgage obligations.
- 4) **Custodial Credit Risk** - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties. The Act requires the Foundation's public treasurer to have custody of all securities purchased or held or deposit these securities with a bank or trust company to be held in safekeeping by that custodian. The Foundation's investments held in a brokerage account are covered by Securities Investor Protection Corporation up to \$500,000.

NOTE 3 - Property Taxes

The Salt Lake County treasurer acts as agent for the District in collecting and distributing property tax revenues. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the valuation by May 15. By July 21, the county treasurer mails property tax notices to the owners. Between August 1 and August 15, a property owner may petition the county board of equalization for an adjustment. The county auditor approves all changes by November 1, at which date, the completed assessments are to be delivered to the county treasurer. Property tax notices with a due date of November 30 are mailed to property owners. Delinquent taxes are subject to a 2% penalty, with a minimum of ten dollars. If the taxes are not paid by January 15 of the following year, they are subject to an interest charge equal to the federal discount rate. The interest accrues from January 1st. If taxes remain delinquent by May of the fifth year, the county will advertise and sell the property at a tax sale.

As of June 30, 2006, the District had accrued a property tax receivable on the government-wide financial statements of \$130,785,271. This accrual represents calendar year 2006 property taxes of \$126,702,150 levied for the year ended June 30, 2007 due to be collected by November 30, 2006 plus \$4,083,121 of delinquent property taxes receivable for taxes assessed prior to 2006 that remain uncollected.

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

NOTE 4 - Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 22,663,324	\$ -	\$ 53,500	\$ 22,609,824
Construction in progress	10,631,623	20,910,044	13,237,915	18,303,752
Water stock	36,221	-	-	36,221
Total capital assets not being depreciated	33,331,168	20,910,044	13,291,415	40,949,797
Capital assets being depreciated:				
Buildings and improvements	372,403,920	13,237,915	3,670,737	381,971,098
Land improvements	17,500,439	130,866	340,755	17,290,550
Vehicles	19,375,675	1,572,408	270,073	20,678,010
Equipment	21,438,677	1,362,134	678,811	22,122,000
Total capital assets, being depreciated	430,718,711	16,303,323	4,960,376	442,061,658
Accumulated depreciation for:				
Buildings and improvements	(185,573,244)	(11,158,408)	2,938,139	(193,793,513)
Land improvements	(8,529,059)	(1,480,305)	340,754	(9,668,610)
Vehicles	(12,811,713)	(1,396,032)	251,671	(13,956,074)
Equipment	(14,360,815)	(2,104,886)	568,722	(15,896,979)
Total accumulated depreciation	(221,274,831)	(16,139,631)	4,099,286	(233,315,176)
Total capital assets, being depreciated, net	209,443,880	163,692	(861,090)	208,746,482
Governmental activity capital assets, net	\$ 242,775,048	\$ 21,073,736	\$ (14,152,505)	\$ 249,696,279

Depreciation expense was charged to functions of the District as follows:

Governmental Activities:	
Instructional services	\$ 10,803,318
Supporting services:	
Student	293,558
Instructional staff	269,226
District administration	307,692
School administration	356,630
Business	500,632
Operation and maintenance of facilities	1,458,157
Transportation	1,322,577
School lunch services	792,398
Noninstructional services	17,784
Capital assets held by the District's	
internal service funds are charged to the various	
functions based on their usage of the assets	17,659
Total depreciation expense, governmental activities	\$ 16,139,631

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

At June 30, 2006 the District was involved with several long-term construction and remodeling projects summarized as follows:

Project	Project(s) Authorized	Cost to Date	Cost to Complete
Gerald Wright Elementary	\$ 10,058,097	\$ 8,649,353	\$ 1,408,743
Wilson Elementary	7,878,451	7,538,098	340,353
Other	3,318,732	2,116,301	1,202,432
	<u>\$ 21,255,280</u>	<u>\$ 18,303,752</u>	<u>\$ 2,951,528</u>

The District has reserved the entire \$2,951,528 of the fund balance in the *Capital Projects Fund* for payment of these projects.

NOTE 5 - State Retirement Plans

Granite School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Retirement Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State School Noncontributory Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems at: 540 E. 200 S. Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement Systems are required to contribute 1.0 percent of their annual covered salary and the District is required to contribute 13.89 percent of their annual covered salary. In the State and School Noncontributory Retirement System the District is required to contribute 13.38 percent of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Retirement Board. Contributions to each plan for the year ended June 30, 2006 and each of the two preceding years are as follows and represent 100% of required contributions:

Fiscal Year	Contributory Plan		Noncontributory Plan
	Employee Contributions	District Contributions	District Contributions
2004	\$ 65,538	\$ 800,193	\$ 21,422,312
2005	64,524	896,224	24,499,319
2006	68,679	953,937	27,784,232

All full-time employees are also eligible to participate in a defined contribution 401(K) retirement benefit. These funds are administered by the Systems or Educators Mutual Insurance Association at the option of the employee. The

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

District is required by Utah State law to contribute 1.5% of eligible salaries towards the benefit on behalf of employees participating in the State and School Noncontributory Retirement System as described above. The District is not required to and does not contribute to a benefit on behalf of employees participating in the State and School Contributory Retirement System as described above. Employees are not required to but may contribute to the 401(K). Employees who participate in the 401(K) retirement benefit become fully vested at the time of the first contribution regardless of length of service. During the fiscal year ended June 30, 2006, the District contributed \$3,291,375 (representing 1.5% of eligible salaries) towards the 401(K) retirement benefit on behalf of employees participating in the noncontributory plan, and employees contributed to \$5,694,519.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan, available to all District contract employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$500,142 for the year ended June 30, 2006. The assets of the plan are administered and held by URS and a third-party administrator.

NOTE 6 - District Retirement Plan

In addition to the State Retirement Plans, the District offers a retirement benefit stipend whereby any employee would qualify if they retire under the guidelines of the Utah Retirement Systems and if they have been employed by the District for ten years. The benefit is equal to the employee's final base salary multiplied by the number of years employed and then multiplied by 0.5%. The accounting for this plan began in fiscal year 2006 as a new benefit. The retirement plan is funded by the General Fund. The retirement benefit liability is actuarially determined to be \$14,741,301 and is recorded as a long term liability on the Statement of Net Assets (see Note 10 for long term liabilities). This amount has been designated in the General Fund unreserved fund balance. See Required Supplementary Information following the Notes to the Basic Financial Statements for the schedule of funding progress. The District's retirement benefit cost and net retirement obligation for the current year is as follows:

	2006
Annual amount of retirement cost contributed	\$ 1,200,374
Annual required contribution	1,593,194
Net contributions made (short)	(392,820)
Net retirement obligation - beginning of year	-
Net retirement (obligation) - end of year	\$ (392,820)

Actuarial Methods and Assumptions. Projections of the retirement benefit for financial reporting are based on a substantive agreement between the District and its eligible employees. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in the actuarial accrued liability, consistent with the long-term perspective of the calculations. In the March 1, 2006 actuarial valuation, the projected unit credit using full accrual at full eligibility age method was used. An interest rate assumption of 4% was used. Demographic and other assumptions included: 1) mortality rates, 2) public education retirement rates, 3) termination rates by age, gender, and years of service, and 4) the District's salary schedules.

NOTE 7 - Early Retirement Incentive Program and Other Termination Benefits

In addition to the State and District retirement plans, the District provides an "Early Retirement Incentive Program." Eligibility is restricted to those administrators and teachers with a minimum of ten years in the District who have reached age 60; except teachers under age 60 who retire under provisions of the Utah State Employee's Retirement Act. Those qualifying under this program may receive benefits as outlined for up to five consecutive years or until age 65, whichever comes first. The District's direct payments to retired employees under this plan for the years

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

ended June 30, 2006 and 2005 were \$2,784,444 and \$2,178,722, respectively. In addition to early retirement compensation, the District provides medical and life insurance coverage to qualified early retired or terminated long-term disabled employees for five years through its self-insured medical and life insurance plan. Employees who meet the requirements at the Systems are eligible to be covered. In addition, fully disabled employees are covered until they are rehabilitated or become eligible for Medicare. The participants entering the program subsequent to 1991 pay a nominal fee. During the year ended June 30, 2006, 410 employees were included in the program. The District's estimated cost of claim payments for the year ended June 30, 2006 cannot be reasonably estimated because the insurance carrier has not disclosed the information. The District has actuarially determined that future early retirement benefits will be \$3,068,898 and medical and life insurance costs will be \$10,164,043 for a total liability of \$13,232,941. This amount has been designated in the General Fund unreserved fund balance. See note 10 for long-term liabilities.

Actuarial Methods and Assumptions. Projections of the retirement benefit for financial reporting are based on a substantive agreement between the District and its eligible employees. The projections include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and eligible employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarially accrued liabilities, consistent with the long-term perspective of the calculations. In the March 1, 2006 actuarial valuation, the projected unit credit using full accrual at full eligibility age method was used. An interest rate assumption of 4% was used and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 5.5% for 2010 and later. Demographic and other assumptions include: 1) mortality rates, 2) public education retirement rates, 3) certain spouse and dependent child(ren) percentages, 4) employee termination rates by age, gender, and years of service, 5) claim costs assumptions, 6) the District's salary schedules, and 7) a participation election percentage assumption.

NOTE 8 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured against these occurrences through participation in the Utah State Risk Management Fund administered by the State of Utah Department of Administrative Services, Division of Risk Management (the Fund). Any public entity in the State of Utah can elect to participate in the Fund. The District pays an annual premium to the Fund for its insurance coverage, which is accounted for in the *General Fund*. During the year ended June 30, 2006, there were no significant reductions in coverage.

NOTE 9 - Medical Insurance, Unemployment Insurance and Worker's Compensation Liabilities

The District is self-insured for employee medical and life insurance, unemployment compensation, and worker's compensation, which are reported in the *Self Insurance Fund*, an internal service fund.

A) Self-Insured Medical Insurance Plan:

Benefit payments plus an administrative charge are made to a third-party administrator who approves and processes all claims. A liability of \$5,242,122 was recorded at June 30, 2006 for claims outstanding at year-end and paid during July and August 2006. This amount represents claims made by full-time employees and by employees who work less than twelve months but are covered by the District's policy during July and August. The District insurance plan has an August year-end. Included in this liability are claims that have been estimated by the District's third-party administrator as being incurred but not reported (IBNR) in the amount of \$152,683 and \$134,631 for the years ended June 30, 2006 and 2005, respectively. Changes in the balances of claims liabilities during the years ended June 30, 2006 and 2005, are as follows:

GRANITE SCHOOL DISTRICT
Notes to the Basic Financial Statements...Continued - June 30, 2006

	2006	2005
Unpaid Claims, Beginning of Year	\$ 4,622,316	\$ 4,626,398
Incurred Claims (including IBNRs)	35,338,261	37,481,871
Claim Payments	(34,718,455)	(37,485,953)
Unpaid Claims, End of Year	<u>\$ 5,242,122</u>	<u>\$ 4,622,316</u>

B) Self-Insured Unemployment Compensation Plan:

Benefit payments plus an administrative charge are made to the Utah Department of Workforce Services who approves and processes all claims. A liability of \$9,990 was recorded at June 30, 2006 for claims outstanding at year-end. Included in this liability is an estimate by a separate third-party administrator for future claims, incurred during 2006, but which have not been billed as of year-end. Changes in the balances of claims liabilities during the years ended June 30, 2006 and 2005 are as follows:

	2006	2005
Unpaid Claims, Beginning of Year	\$ 18,338	\$ 22,339
Incurred Claims (including estimate)	59,513	63,441
Unemployment Claim Payments	(67,861)	(67,442)
Unpaid Claims, End of Year	<u>\$ 9,990</u>	<u>\$ 18,338</u>

C) Self-Insured Worker's Compensation Plan:

Benefit payments plus an administrative charge are made to a third-party administrator who approves and processes all claims. A liability of \$931,824 was recorded at June 30, 2006 for claims outstanding at year-end with \$913,188 representing the current portion of the liability. Included in this liability is an estimate by the District's third-party administrator of outstanding claims that have not been billed. Changes in the balances of claims liabilities during the years ended June 30, 2006 and 2005 are as follows:

	2006	2005
Unpaid Claims, Beginning of Year	\$ 834,869	\$ 662,303
Incurred Claims (including estimate)	1,237,416	815,080
Compensation Claim Payments	(1,140,461)	(642,514)
Unpaid Claims, End of Year	<u>\$ 931,824</u>	<u>\$ 834,869</u>

GRANITE SCHOOL DISTRICT

Notes to the Basic Financial Statements...Continued - June 30, 2006

NOTE 10 - Long-Term Liabilities

The following is a summary of general long-term liability transactions as of and for the year ended June 30, 2006:

	Balance at June 30, 2005	Additions	Payments	Balance at June 30, 2006	Due Within One Year
Fitness equipment lease	\$ 462,022	\$ -	\$ (462,022)	-	\$ -
Workers compensation	834,869	913,188	(816,233)	931,824	913,188
Compensated absences	4,072,418	4,184,868	(4,072,418)	4,184,868	3,975,625
Obligation for early retirement salaries and insurance	6,515,519	9,501,866	(2,784,444)	13,232,941	3,062,888
Obligation for District retirement salary	-	14,741,301	-	14,741,301	1,431,418
Lease revenue bonds, series 2004					
\$10 million, 2-year amortization	5,050,000	-	(5,050,000)	-	-
Bond premium	37,252	-	(37,252)	-	-
Total governmental activity long-term liabilities	\$ 16,972,080	\$ 29,341,223	\$ (13,222,369)	\$ 33,090,934	\$ 9,383,118

The District entered into three separate leases for fitness equipment placed in various District locations. The interest rates varied by lease between 3.0 and 4.6 percent. During the year, the District retired this debt with resources from other governmental funds.

The District issued lease revenue bonds bearing a 2.0% interest rate and maturing in April 2006. The District retired this debt on schedule with resources from the *Capital Projects Fund*.

NOTE 11 - Federal and State Governmental Assistance

The District receives significant assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *General Fund* or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be insignificant.

NOTE 12 - Extraordinary and Special Items

The District sold real property during the year. The gain on these sales has been reported as a special item. On July 11, 2005 a fire erupted from a faulty computer server at Wasatch Junior High School. The insurance recovery has been reported as an extraordinary item.

GRANITE SCHOOL DISTRICT
Required Supplementary Information - June 30, 2006

**District Retirement Plan
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Eligibility Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
03/01/06	\$ 428,222	\$ 14,741,301	\$ 14,313,079	2.9%	\$ 189,104,748	7.6%

The accounting for this plan began in fiscal year 2006 as a new benefit. The District has elected to establish additional resources for the full unfunded actuarial accrued liability by designating fund balance in the *General Fund* rather than making contributions to a pension trust fund. Doing so does not qualify as "funding" as defined.

Combining and Individual Fund Statements and Schedules

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

General Fund - This fund serves as the chief operating fund of the District. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

CAPITAL PROJECTS FUND

Capital Projects Fund - The purpose of this fund is to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment, textbooks, and supplies necessary for providing quality educational programs for all students within the District. Financing is provided by a property tax levies as authorized by the Utah Code 53A-21-103 and 53A-17a-145.

GRANITE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property taxes	\$ 74,164,621	\$ 73,891,784	\$ (272,837)	\$ 69,067,396
Earnings on investments	1,949,347	2,129,331	179,984	1,494,393
Other local	8,175,013	9,092,757	917,744	7,597,483
State	232,490,185	230,754,050	(1,736,135)	222,006,740
Federal	30,077,740	32,697,345	2,619,605	33,106,530
Total revenues	346,856,906	348,565,267	1,708,361	333,272,542
Expenditures:				
Instructional services:				
Salaries	156,574,621	151,836,044	4,738,577	146,946,987
Employee benefits	61,965,790	55,914,632	6,051,158	58,936,441
Purchased services	1,445,002	1,545,758	(100,756)	1,642,034
Supplies and materials	11,492,967	11,179,955	313,012	10,453,274
	231,478,380	220,476,389	11,001,991	217,978,736
Supporting services:				
Students	16,768,185	15,773,681	994,504	15,864,371
Instructional staff	18,143,790	23,080,330	(4,936,540)	22,844,190
District administration	2,952,862	2,799,177	153,685	2,737,452
School administration	21,882,471	21,150,316	732,155	21,074,566
Business	7,342,710	6,825,886	516,824	7,043,802
Operation and maintenance of facilities	36,103,835	35,823,201	280,634	34,240,089
Transportation	7,222,073	7,111,688	110,385	7,386,844
Total expenditures	341,894,306	333,040,668	8,853,638	329,170,050
Excess of revenues over expenditures	4,962,600	15,524,599	10,561,999	4,102,492
Other Financing Sources:				
Transfers in	1,368,669	1,177,564	(191,105)	1,048,340
Total other financing sources	1,368,669	1,177,564	(191,105)	1,048,340
Net change in fund balances	6,331,269	16,702,163	10,370,894	5,150,832
Fund balances - beginning	31,893,808	31,893,808	-	26,742,976
Fund balances - ending	\$ 38,225,077	\$ 48,595,971	\$ 10,370,894	\$ 31,893,808

GRANITE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property taxes	\$ 44,338,570	\$ 44,523,264	\$ 184,694	\$ 43,134,342
Earnings on investments	1,629,402	1,697,570	68,168	817,552
Other local	284,379	278,733	(5,646)	383,337
State	2,356,249	2,184,641	(171,608)	2,014,373
Federal	1,238,335	1,362,398	124,063	1,892,763
Total revenues	49,846,935	50,046,606	199,671	48,242,367
Expenditures:				
Capital outlay:				
Salaries	3,583,761	3,499,744	84,017	3,454,442
Employee benefits	1,603,236	1,560,869	42,367	1,487,184
Purchased services	9,529,909	8,441,847	1,088,062	10,261,008
Supplies and materials	285,042	266,144	18,898	6,832
Land and improvements	3,913,970	1,937,230	1,976,740	1,333,435
Buildings	28,846,812	22,815,783	6,031,029	13,328,785
Equipment	13,263,227	11,327,336	1,935,891	10,082,946
Vehicles	1,401,808	1,383,772	18,036	814,141
Total capital outlay	62,427,765	51,232,725	11,195,040	40,768,773
Debt service - capital leases:				
Principal payments	560,682	462,022	98,660	1,270,517
Interest and finance charges	7,146	4,800	2,346	43,857
Total debt service - capital leases	567,828	466,822	101,006	1,314,374
Total expenditures	62,995,593	51,699,547	11,296,046	42,083,147
Excess (deficiency) of revenues over (under) expenditures	(13,148,658)	(1,652,941)	11,495,717	6,159,220
Other Financing Sources (Uses):				
Sale of equipment	79,197	51,909	(27,288)	96,081
Sale of real property	1,699,561	1,239,575	(459,986)	4,281,391
Transfers (out)	(1,661,105)	(1,576,583)	84,522	(1,390,445)
Total other financing sources (uses)	117,653	(285,099)	(402,752)	2,987,027
Extraordinary item:				
Insurance proceeds	17,084,908	9,336,192	(7,748,716)	-
Net change in fund balances	4,053,903	7,398,152	3,344,249	9,146,247
Fund balances - beginning	29,043,342	29,043,342	-	19,897,095
Fund balances - ending	\$ 33,097,245	\$ 36,441,494	\$ 3,344,249	\$ 29,043,342

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Non K-12 Programs Fund - The purpose of this fund is to account for the costs of programs that are not part of the basic educational program of kindergarten through twelfth grades. Included in the fund are federal and state funded programs for Special-Education Preschool, Head Start, Adult Education and other non K-12 programs. The costs associated with providing recreational programs within the District are also included in this fund. The recreational programs are financed by a property tax levy as authorized by Utah Code 11-2-7.

Granite Education Foundation Fund - The purpose of this fund is to account for donations received on behalf of the District. The Foundation is a tax-exempt nonprofit organization formed outside the public school system for the benefit of Granite School District. Although the Foundation's activities and records are operated and maintained separate from the District, the District is considered to be financially accountable for the Foundation. The Foundation, therefore, is reported as a blended component unit of the District.

School Lunch Fund - The purpose of this fund is to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Department of Agriculture.

Success Charter School Fund - The purpose of this fund is to account for the costs of the Success Charter School. The Success School began operations in the fall of 1999 and specializes in providing an educational opportunity for students involved with the juvenile court system. Funding is provided by the State of Utah through the Minimum School Finance Act. Additional funds are received from the local school districts in which the students reside and from federal and state charter school funds.

Granite Education Center Capital Projects Fund

Granite Education Center Fund - The District created a municipal building authority (MBA) during the year ended June 30, 2004 for the purpose of issuing lease revenue bonds for the purchase and remodel of the Granite Education Center (GEC). The transactions and accounts of the MBA are recorded in this fund. The MBA received lease revenue from the District's *Capital Projects Fund*. The lease revenue was used to make the bond payments and fund a portion of the remodeling costs. Now that the remodeling is completed and the bonds have been retired in this fiscal year, it is anticipated that this fund will no longer be needed after June 30, 2006. The District is considered to be financially accountable for the MBA. Therefore, it is reported as a blended component unit of the District.

GRANITE SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Non K-12 Programs	Granite Education Foundation	School Lunch	Granite Education Center	
Assets:					
Cash and investments	\$ 400	\$ 1,725,856	\$ 11,098	\$ -	\$ 1,737,379
Accounts receivable:					
Property taxes	4,812,359	-	-	-	4,812,359
Other local	117,494	-	61,366	-	181,763
State	-	-	725,309	-	725,309
Federal	1,116,078	-	374,702	-	1,508,312
Due from other funds	11,030,872	-	11,811,892	-	23,594,108
Prepaid expenditures	1,439	-	171	-	9,510
Inventories	-	-	807,211	-	807,211
Total assets	17,078,642	1,725,856	13,791,749	-	33,375,951
Liabilities:					
Accounts payable	37,440	446,614	92,230	-	576,301
Accrued salaries and related payables	10,248,321	-	8,406,819	-	19,035,825
Unearned revenue:					
Property taxes	4,799,779	-	-	-	4,799,779
Other local	242,447	-	-	-	242,447
State	-	-	-	34,138	34,138
Total liabilities	15,327,987	446,614	8,499,049	-	24,688,490
Fund balances:					
Reserved for:					
Encumbrances	23,622	76	332,194	-	356,934
Prepaid expenditures	1,439	-	171	-	9,510
Inventories	-	-	807,211	-	807,211
Unreserved:					
Designated for:					
Equipment	-	-	3,400,000	-	3,400,000
Schools	-	134,384	-	-	134,384
Planned projects	35,000	-	-	-	35,000
Undesignated	1,690,594	1,144,782	753,124	-	3,944,422
Total fund balances	1,750,655	1,279,242	5,292,700	-	8,687,461
Total liabilities and fund balances	\$ 17,078,642	\$ 1,725,856	\$ 13,791,749	\$ -	\$ 33,375,951

GRANITE SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Special Revenue				Capital Projects	Total
	Non K-12 Programs	Granite Education Foundation	School Lunch	Success Charter School	Granite Education Center	Nonmajor Governmental Funds
Revenues:						
Property taxes	\$ 4,545,863	\$ -	\$ -	\$ -	\$ -	\$ 4,545,863
Earnings on investments	397,521	141,415	438,479	-	8,902	986,317
Tuitions	1,657,800	-	-	-	-	1,657,800
Lunch sales	-	-	5,130,456	-	-	5,130,456
Other local	228,130	952,228	242,081	28,504	5,142,098	6,593,041
State	3,439,080	-	2,496,243	610,524	-	6,545,847
Federal	3,399,034	-	11,670,501	49,914	-	15,119,449
Total revenues	<u>13,667,428</u>	<u>1,093,643</u>	<u>19,977,760</u>	<u>688,942</u>	<u>5,151,000</u>	<u>40,578,773</u>
Expenditures:						
Current:						
Instructional services	-	-	-	494,353	-	494,353
School lunch services	-	-	18,556,276	-	-	18,556,276
Noninstructional services	12,442,796	1,204,049	-	-	-	13,646,845
Capital outlay	-	-	-	12,224	1,500	13,724
Debt service - lease revenue bonds:						
Principal payments	-	-	-	-	5,050,000	5,050,000
Interest and finance charges	-	-	-	-	101,000	101,000
Total expenditures	<u>12,442,796</u>	<u>1,204,049</u>	<u>18,556,276</u>	<u>506,577</u>	<u>5,152,500</u>	<u>37,862,198</u>
Excess (deficiency) of revenues over (under) expenditures	1,224,632	(110,406)	1,421,484	182,365	(1,500)	2,716,575
Other financing sources:						
Transfer in	-	285,779	-	-	-	285,779
Net change in fund balances	1,224,632	175,373	1,421,484	182,365	(1,500)	3,002,354
Fund balances - beginning	<u>526,023</u>	<u>1,103,869</u>	<u>3,871,216</u>	<u>182,499</u>	<u>1,500</u>	<u>5,685,107</u>
Fund balances - ending	<u>\$ 1,750,655</u>	<u>\$ 1,279,242</u>	<u>\$ 5,292,700</u>	<u>\$ 364,864</u>	<u>\$ -</u>	<u>\$ 8,687,461</u>

GRANITE SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Non K-12 Programs

Nonmajor Special Revenue Fund

Year Ended June 30, 2006

With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local:				
Property taxes	\$ 4,527,006	\$ 4,545,863	\$ 18,857	\$ 3,005,704
Earnings on investments	331,236	397,521	66,285	-
Tuitions	1,640,072	1,657,800	17,728	1,559,850
Other local	192,611	228,130	35,519	204,087
Total local	6,690,925	6,829,314	138,389	4,769,641
State:				
Regular school programs	13,201	-	(13,201)	6,389
Preschool	1,945,679	1,985,387	39,708	1,571,670
Adult high school	1,151,289	1,168,011	16,722	1,156,036
Retirement and social security	319,183	285,682	(33,501)	278,568
Total state	3,429,352	3,439,080	9,728	3,012,663
Federal:				
Special education preschool grant	591,397	403,625	(187,772)	474,978
Adult education	629,069	311,341	(317,728)	308,407
Other federal	2,173,354	2,684,068	510,714	1,832,330
Total federal	3,393,820	3,399,034	5,214	2,615,715
Total revenues	13,514,097	13,667,428	153,331	10,398,019
Expenditures:				
Current:				
Noninstructional services:				
Salaries	7,933,370	7,912,356	21,014	6,837,242
Employee benefits	2,145,427	2,086,057	59,370	1,824,256
Purchased services	2,004,426	1,211,865	792,561	695,015
Supplies	964,554	994,590	(30,036)	604,756
Indirect costs	245,551	237,928	7,623	185,003
Total noninstructional services	13,293,328	12,442,796	850,532	10,146,272
Capital outlay:				
Equipment	100,000	-	100,000	-
Total expenditures	13,393,328	12,442,796	950,532	10,146,272
Net change in fund balances	120,769	1,224,632	1,103,863	251,747
Fund balances - beginning	526,023	526,023	-	274,276
Fund balances - ending	\$ 646,792	\$ 1,750,655	\$ 1,103,863	\$ 526,023

GRANITE SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
Granite Education Foundation
Nonmajor Special Revenue Fund
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues:		
Local:		
Earnings on investments	\$ 141,415	\$ 114,331
Contributions	809,400	967,412
Proceeds from fundraising activities	<u>142,828</u>	<u>111,877</u>
Total revenues	<u>1,093,643</u>	<u>1,193,620</u>
Expenditures:		
Current:		
Noninstructional:		
Fundraising costs	21,925	45,316
Contributions to schools	584,822	639,143
Office	<u>597,302</u>	<u>696,333</u>
Total noninstructional services	<u>1,204,049</u>	<u>1,380,792</u>
(Deficiency) of revenues (under) expenditures	(110,406)	(187,172)
Other financing sources:		
Transfer in	<u>285,779</u>	<u>342,105</u>
Net change in fund balances	175,373	154,933
Fund balances - beginning	<u>1,103,869</u>	<u>948,936</u>
Fund balances - ending	<u><u>\$ 1,279,242</u></u>	<u><u>\$ 1,103,869</u></u>

GRANITE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
School Lunch
Nonmajor Special Revenue Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local:				
Earnings on investments	\$ 375,169	\$ 438,479	\$ 63,310	\$ 4,660
Lunch sales - children	4,816,605	4,862,036	45,431	4,655,183
Lunch sales - adult	264,985	268,420	3,435	181,425
Other local	281,531	242,081	(39,450)	178,652
Total local	5,738,290	5,811,016	72,726	5,019,920
State:				
State lunch program	2,250,108	2,496,243	246,135	2,251,637
Total state	2,250,108	2,496,243	246,135	2,251,637
Federal:				
Federal lunch program	11,444,780	11,670,501	225,721	11,029,524
Total federal	11,444,780	11,670,501	225,721	11,029,524
Total revenues	19,433,178	19,977,760	544,582	18,301,081
Expenditures:				
Current:				
School lunch services:				
Salaries	6,598,622	6,572,038	26,584	6,297,025
Employee benefits	2,522,143	2,394,942	127,201	2,277,824
Purchased services	1,181,026	1,155,687	25,339	963,225
Supplies (except food)	738,191	656,830	81,361	650,393
Food	6,471,030	6,187,846	283,184	5,664,490
Indirect cost allocation	1,408,702	1,366,897	41,805	1,149,253
Total school lunch services	18,919,714	18,334,240	585,474	17,002,210
Capital outlay:				
Equipment	366,747	222,036	144,711	362,701
Total expenditures	19,286,461	18,556,276	730,185	17,364,911
Net change in fund balances	146,717	1,421,484	1,274,767	936,170
Fund balances - beginning	3,871,216	3,871,216	-	2,935,046
Fund balances - ending	\$ 4,017,933	\$ 5,292,700	\$ 1,274,767	\$ 3,871,216

GRANITE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Success Charter School
Nonmajor Special Revenue Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local	\$ 25,000	\$ 28,504	\$ 3,504	\$ 2,928
State	635,153	610,524	(24,629)	524,784
Federal	32,382	49,914	17,532	36,619
Total revenues	<u>692,535</u>	<u>688,942</u>	<u>(3,593)</u>	<u>564,331</u>
Expenditures:				
Current:				
Instructional services:				
Salaries	386,734	292,423	94,311	310,610
Employee benefits	117,876	93,762	24,114	105,704
Purchased services	65,826	59,803	6,023	37,140
Supplies	43,622	37,497	6,125	27,276
Indirect cost allocation	14,218	10,868	3,350	9,357
Total instructional services	<u>628,276</u>	<u>494,353</u>	<u>133,923</u>	<u>490,087</u>
Capital outlay:				
Equipment	17,833	12,224	5,609	11,164
Total expenditures	<u>646,109</u>	<u>506,577</u>	<u>139,532</u>	<u>501,251</u>
Net change in fund balances	46,426	182,365	135,939	63,080
Fund balances - beginning	<u>182,499</u>	<u>182,499</u>	<u>-</u>	<u>119,419</u>
Fund balances - ending	<u>\$ 228,925</u>	<u>\$ 364,864</u>	<u>\$ 135,939</u>	<u>\$ 182,499</u>

GRANITE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Granite Education Center
Nonmajor Capital Projects Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Earnings on investments	\$ 8,833	\$ 8,902	\$ 69	\$ 50,988
Lease revenue	5,142,167	5,142,098	(69)	8,056,372
Total revenues	5,151,000	5,151,000	-	8,107,360
Expenditures:				
Capital outlay:				
Purchased services	1,500	1,500	-	500
Equipment	-	-	-	272,474
Buildings	-	-	-	2,686,897
Total capital outlay	1,500	1,500	-	2,959,871
Debt service - lease revenue bonds:				
Principal payments	5,050,000	5,050,000	-	5,055,000
Interest and finance charges	101,000	101,000	-	183,013
Total debt service - lease revenue bonds	5,151,000	5,151,000	-	5,238,013
Total expenditures	5,152,500	5,152,500	-	8,197,884
Net change in fund balances	(1,500)	(1,500)	-	(90,524)
Fund balances - beginning	1,500	1,500	-	92,024
Fund balances - ending	\$ -	\$ -	\$ -	\$ 1,500

PROPRIETARY FUNDS

Internal Service Funds

Printing Services Fund - The purpose of this fund is to account for printing services provided to departments and schools by the District printing department. Costs are recovered by charges to user departments and schools.

Self Insurance Fund - The purpose of this fund is to account for the costs of the District's self-insured plans for medical insurance, industrial insurance and unemployment compensation. Annual premiums are charged to the other funds based upon total projected expenditures. Benefit payments plus an administrative charge are made to third-party administrators who approve and process all claims.

GRANITE SCHOOL DISTRICT
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006
With Comparative Totals for 2005

	Printing Services Fund	2006 Self Insurance Fund	Total	2005 Total
Assets:				
Current assets:				
Accounts receivable - local	\$ 23,571	\$ 67,339	\$ 90,910	\$ 32,031
Prepaid expenses	1,493	-	1,493	2,482
Inventories	78,559	-	78,559	48,286
Due from other funds	214,657	7,538,807	7,753,464	7,671,433
Noncurrent assets:				
Equipment	430,224	-	430,224	420,800
Accumulated depreciation	(372,249)	-	(372,249)	(369,054)
Total assets	<u>376,255</u>	<u>7,606,146</u>	<u>7,982,401</u>	<u>7,805,978</u>
Liabilities:				
Current liabilities:				
Accounts payable	19,427	68,121	87,548	346,556
Accrued salaries and related benefits	356,828	-	356,828	299,569
Health and accident insurance payable	-	5,242,122	5,242,122	4,622,316
Workers compensation payable	-	913,188	913,188	823,998
Unemployment insurance payable	-	9,990	9,990	18,338
Total current liabilities	<u>376,255</u>	<u>6,233,421</u>	<u>6,609,676</u>	<u>6,110,777</u>
Noncurrent liabilities:				
Workers compensation payable	-	18,636	18,636	10,871
Total liabilities	<u>376,255</u>	<u>6,252,057</u>	<u>6,628,312</u>	<u>6,121,648</u>
Net assets:				
Invested in capital assets	57,975	-	57,975	51,746
Unrestricted	(57,975)	1,354,089	1,296,114	1,632,584
Total net assets	<u>\$ -</u>	<u>\$ 1,354,089</u>	<u>\$ 1,354,089</u>	<u>\$ 1,684,330</u>

GRANITE SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
Year Ended June 30, 2006
With Comparative Totals for 2005

	<u>Printing Services Fund</u>	<u>2006 Self Insurance Fund</u>	<u>Total</u>	<u>2005 Total</u>
Operating revenues:				
Charges for services:				
Medical insurance premiums	\$ -	\$ 34,047,844	34,047,844	39,435,450
Unemployment insurance premiums	-	100,000	100,000	100,000
Industrial insurance premium	-	1,637,453	1,637,453	1,700,000
Other services	497,118	-	497,118	530,334
Total operating revenues	<u>497,118</u>	<u>35,785,297</u>	<u>36,282,415</u>	<u>41,765,784</u>
Operating expenses:				
Salaries	273,797	-	273,797	260,660
Employee benefits	108,059	-	108,059	96,525
Medical claims	-	21,419,049	21,419,049	24,060,491
Medical premiums	-	6,630,480	6,630,480	6,185,566
Prescription claims	-	4,730,287	4,730,287	5,696,363
Medical administrative fees	-	1,611,506	1,611,506	1,543,533
Medical reinsurance premiums	-	614,869	614,869	683,402
Industrial claims	-	1,469,092	1,469,092	1,484,548
Unemployment claims	-	57,766	57,766	64,975
Purchased services	113,126	35,822	148,948	113,552
Supplies and materials	109,892	-	109,892	127,340
Depreciation	17,659	-	17,659	15,613
Total operating expenses	<u>622,533</u>	<u>36,568,871</u>	<u>37,191,404</u>	<u>40,332,568</u>
Operating income (loss)	(125,415)	(783,574)	(908,989)	1,433,216
Nonoperating revenues:				
Earnings on investments	1,503	464,005	465,508	-
Net income (loss) before transfers	(123,912)	(319,569)	(443,481)	1,433,216
Transfers in	113,240	-	113,240	-
Net assets - beginning	10,672	1,673,658	1,684,330	251,114
Net assets - ending	<u>\$ -</u>	<u>\$ 1,354,089</u>	<u>\$ 1,354,089</u>	<u>\$ 1,684,330</u>

GRANITE SCHOOL DISTRICT
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2006
With Comparative Totals for 2005

		2006		2005
	Printing Services Fund	Self Insurance Fund	Totals	Totals
Cash flows from operating activities:				
Receipts from interfund services provided	\$ 505,521	\$ 35,718,015	\$ 36,223,536	\$ 41,856,054
Payments to employees	(324,597)	-	(324,597)	(300,567)
Payments to suppliers for goods and services	(243,416)	(303,716)	(547,132)	(1,083,836)
Payments for medical fees and insurance claims	-	(35,824,636)	(35,824,636)	(39,554,394)
Payments as assessments from other funds	(28,363)	(53,668)	(82,031)	(915,285)
Net cash provided (used) by operating activities	(90,855)	(464,005)	(554,860)	1,972
Cash flows from noncapital financing activities:				
Operating transfers in from other funds	113,240	-	113,240	-
Cash flows from capital and related financing activities:				
Purchase of equipment	(23,888)	-	(23,888)	(1,972)
Cash flows from investing activities:				
Earnings on investments	1,503	464,005	465,508	-
Net change in cash and cash equivalents	-	-	-	-
Cash and cash equivalents - beginning	-	-	-	-
Cash and cash equivalents - ending	\$ -	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (125,415)	\$ (783,574)	\$ (908,989)	\$ 1,433,216
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Noncash item - depreciation	17,659	-	17,659	15,613
(Increase) decrease in operating assets:				
Accounts receivable - other local	8,403	(67,282)	(58,879)	90,270
Due from other funds	(28,363)	(53,668)	(82,031)	(915,285)
Inventories	(30,273)	-	(30,273)	(1,905)
Prepaid expenses	989	-	989	204
Increase (decrease) in operating liabilities:				
Accounts payable	8,886	(267,894)	(259,008)	(841,243)
Accrued salaries and related benefits	57,259	-	57,259	56,618
Health and accident insurance payable	-	619,806	619,806	(4,082)
Workers compensation payable	-	96,955	96,955	172,566
Unemployment insurance payable	-	(8,348)	(8,348)	(4,000)
Total adjustments	34,560	319,569	354,129	(1,431,244)
Net cash provided (used) by operating activities	\$ (90,855)	\$ (464,005)	\$ (554,860)	\$ 1,972
Noncash investing, capital, and financing activities:	none	none	none	none

Fiduciary Funds

Agency Fund

Student Activities Fund (An Agency Fund) - The purpose of this fund is to account for the resources generated by student groups within the District, while engaged in activities associated with student life. The District has a fiduciary responsibility concerning these student accounts to ensure their safety and accountability.

GRANITE SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities (Continued on Following Pages)
Student Activities Fund
Year Ended June 30, 2006

	Balance at July 1, 2005	Additions	Deductions	Balance at June 30, 2006
Assets:				
Cash and investments	\$ 6,956,724	\$ 20,978,712	\$ 20,516,797	\$ 7,418,639
Accounts receivable - other local	10,585	17,037	10,585	17,037
Total assets	\$ 6,967,309	\$ 20,995,749	\$ 20,527,382	\$ 7,435,676
Liabilities:				
Accounts payable	\$ 764,630	\$ 3,724,371	\$ 3,749,817	\$ 739,184
Due to student organizations:				
Elementary schools:				
Academy Park	15,362	58,641	54,932	19,071
Arcadia	12,081	25,395	21,819	15,657
Bacchus	22,693	61,314	58,089	25,918
Beehive	5,684	46,972	43,039	9,617
Bennion	10,248	51,944	48,427	13,765
Jim Bridger	22,051	58,938	47,682	33,307
Canyon Rim	28,384	35,538	63,913	9
Copper Hills	27,067	51,058	41,693	36,432
Cottonwood	18,772	36,626	27,450	27,948
Crestview	7,104	57,585	49,812	14,877
Howard Driggs	27,399	76,450	81,355	22,494
Eastwood	17,728	93,032	100,453	10,307
Philo Farnsworth	4,402	34,487	33,978	4,911
Fox Hills	17,961	24,442	28,221	14,182
John Fremont	18,780	49,328	48,070	20,038
Robert Frost	14,207	56,120	42,891	27,436
David Gourley	7,277	26,809	25,524	8,562
Granger	35,298	46,736	70,227	11,807
Hill View	15,312	34,780	29,586	20,506
Hillsdale	30,006	34,571	18,822	45,755
Hillside	22,175	55,060	46,840	30,395
Hunter	20,152	44,051	47,185	17,018
Jackling	28,868	41,165	39,111	30,922
Lake Ridge	31,998	37,017	32,650	36,365
Lincoln	3,919	19,024	18,797	4,146
Magna	15,855	78,965	79,727	15,093
Meadow Moor	27,100	20,355	39,067	8,388
Mill Creek	18,766	36,174	35,493	19,447
Monroe	9,712	49,896	41,610	17,998
Morningside	15,329	64,262	62,659	16,932
James Moss	8,203	51,664	49,015	10,852
Oakridge	28,361	112,085	109,171	31,275
Oakwood	34,431	73,715	77,237	30,909
Oquirrh Hills	10,358	31,502	30,016	11,844
Douglas Orchard	9,594	47,382	39,389	17,587
William Penn	18,022	49,830	43,260	24,592
Pioneer	7,530	52,076	47,678	11,928
Pleasant Green	21,801	60,042	64,654	17,189
Plymouth	21,530	56,228	59,002	18,756
Redwood	8,411	43,389	42,686	9,114
Rolling Meadows	10,293	35,484	29,337	16,440

(continued)

GRANITE SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities (Continued on Following Pages)
Student Activities Fund
Year Ended June 30, 2006

	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2006</u>
Liabilities (continued):				
Due to student organizations (continued):				
Elementary schools (continued):				
Roosevelt	\$ 20,605	\$ 27,101	\$ 34,405	\$ 13,301
Rosecrest	10,006	41,386	44,381	7,011
Carl Sandburg	38,522	37,323	33,847	41,998
Silver Hills	8,653	34,993	31,906	11,740
Calvin Smith	10,757	52,428	54,096	9,089
South Kearns	10,713	23,111	22,799	11,025
Stansbury	15,129	41,856	41,811	15,174
Taylorville	12,201	31,759	35,370	8,590
Harry Truman	22,305	36,403	35,655	23,053
Twin Peaks	22,196	45,817	57,044	10,969
Upland Terrace	12,887	41,985	44,794	10,078
Valley Crest	10,261	45,015	38,969	16,307
Vista	10,708	25,054	29,019	6,743
West Kearns	3,698	37,956	33,463	8,191
West Valley	2,807	29,768	31,009	1,566
Westbrook	15,450	40,468	32,544	23,374
Western Hills	8,863	25,137	28,186	5,814
Whittier	14,032	49,833	40,570	23,295
Woodrow Wilson	7,266	22,013	24,166	5,113
Woodstock	5,811	41,902	34,152	13,561
Total elementary schools	<u>993,094</u>	<u>2,751,440</u>	<u>2,698,753</u>	<u>1,045,781</u>
Junior high schools:				
Bennion	97,146	218,370	178,578	136,938
Bonneville	115,160	187,111	188,591	113,680
Brockbank	111,306	267,844	245,744	133,406
Churchill	172,537	360,189	307,587	225,139
Eisenhower	158,780	273,606	238,466	193,920
Evergreen	86,076	203,814	180,162	109,728
Granite Park	101,852	87,971	73,096	116,727
Hunter	153,980	241,290	261,665	133,605
Jefferson	55,489	207,038	199,845	62,682
Kearns	121,069	172,480	179,005	114,544
Kennedy	132,998	277,836	299,101	111,733
Matheson	61,920	194,366	158,249	98,037
Olympus	160,739	387,062	375,388	172,413
Valley	138,833	235,368	236,160	138,041
Wasatch	221,330	270,467	233,591	258,206
West Lake	46,917	250,897	255,432	42,382
Total junior high schools	<u>1,936,132</u>	<u>3,835,709</u>	<u>3,610,660</u>	<u>2,161,181</u>

(continued)

GRANITE SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities (Concluded)
Student Activities Fund
Year Ended June 30, 2006

	Balance at July 1, 2005	Additions	Deductions	Balance at June 30, 2006
Liabilities (continued):				
Due to student organizations (continued):				
High schools:				
Cottonwood	\$ 283,212	\$ 1,132,623	\$ 1,114,234	\$ 301,601
Cyprus	153,252	797,003	732,726	217,529
Granger	169,847	759,443	794,386	134,904
Granite	181,697	405,551	410,751	176,497
Hunter	391,986	1,740,093	1,709,256	422,823
Kearns	140,202	820,525	772,595	188,132
Olympus	351,137	1,726,410	1,595,539	482,008
Skyline	495,549	1,541,859	1,521,612	515,796
Taylorsville	519,544	1,183,734	1,171,570	531,708
Central	47,700	107,728	95,627	59,801
Total high schools	<u>2,734,126</u>	<u>10,214,969</u>	<u>9,918,296</u>	<u>3,030,799</u>
Community schools and special purpose programs:				
Community Swimming Pools	2,041	1,168	1,276	1,933
Cottonwood Community School	27,375	34,168	59,224	2,319
Granger High Community School	26,527	26,621	47,473	5,675
Granite High Community School	10,452	9,542	15,664	4,330
Kearns High Community School	60,933	111,655	161,716	10,872
Hunter High Community School	23,961	14,851	11,212	27,600
Skyline High Community School	19,260	19,666	33,465	5,461
Taylorsville High Community School	30,459	23,638	49,128	4,969
Hartvigsen Community School	16,924	15,909	17,883	14,950
Central High Community School	3,330	64,288	51,736	15,882
Jones Center and Hartvigsen Center	318,065	147,754	101,079	364,740
Total community schools and special purpose programs	<u>539,327</u>	<u>469,260</u>	<u>549,856</u>	<u>458,731</u>
Total due to student organizations	<u>6,202,679</u>	<u>17,271,378</u>	<u>16,777,565</u>	<u>6,696,492</u>
Total liabilities	<u>\$ 6,967,309</u>	<u>\$ 20,995,749</u>	<u>\$ 20,527,382</u>	<u>\$ 7,435,676</u>

GRANITE SCHOOL DISTRICT
Statistical Section
Table of Contents

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents	Page
Financial Trends.....	74-80
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity.....	81-85
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
Debt Capacity.....	86-89
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information.....	90-91
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information.....	92-102
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 with the fiscal year beginning July 1, 2001, therefore, schedules presenting government-wide information include information beginning with June 30, 2002.

Granite School District
Comparative Statements of Net Assets
June 30, 2002 through 2006

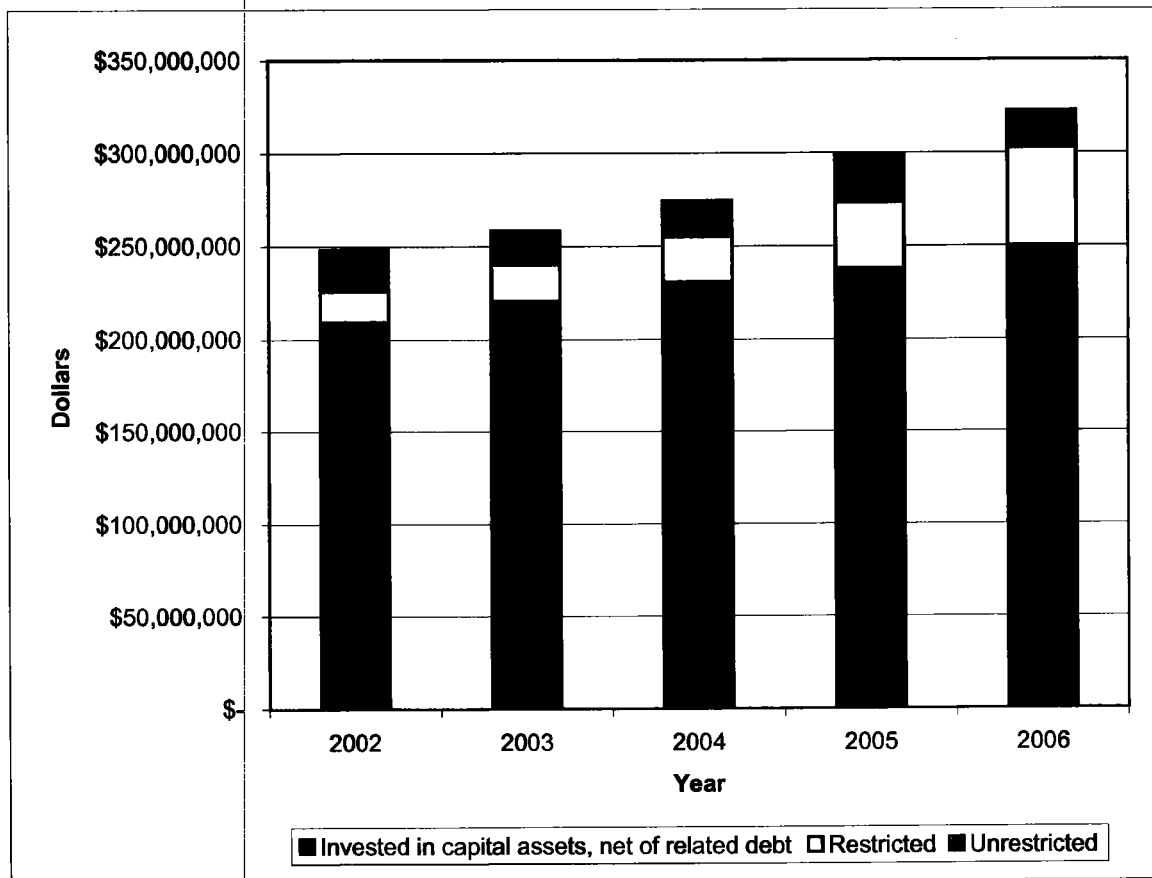
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Assets:					
Cash and investments	\$ 58,017,323	\$ 69,729,420	\$ 65,193,816	\$ 102,475,883	\$ 132,788,738
Receivables:					
Property taxes	111,177,906	114,449,578	116,213,831	124,924,746	130,785,271
Other local	884,931	857,838	807,405	1,568,479	7,544,943
State	19,100,167	530,750	609,493	875,409	1,056,229
Federal	9,746,546	15,987,222	27,665,550	17,777,257	13,770,210
Prepaid expenses	641,387	416,014	3,628,878	495,438	545,819
Inventories	4,033,495	3,862,998	3,583,118	3,821,633	4,318,116
Lease revenue bond issuance cost net of accumulated amortization	-	-	108,620	43,448	-
Capital assets:					
Land, construction in progress, and water stock	60,579,219	38,760,248	43,318,689	33,331,168	40,949,797
Other capital assets, net of accumulated depreciation	148,489,854	181,470,792	197,404,451	209,443,880	208,746,482
Total assets	<u>412,670,828</u>	<u>426,064,860</u>	<u>458,533,851</u>	<u>494,757,341</u>	<u>540,505,605</u>
Liabilities:					
Accounts payable	7,608,022	6,413,253	6,911,916	5,610,698	8,107,288
Accrued salaries and related benefits	30,887,332	27,053,058	27,229,991	35,806,574	32,464,738
Health and accident insurance	4,053,114	4,601,384	4,626,398	4,322,316	5,242,122
Unemployment insurance payable	27,521	27,849	22,339	18,338	9,990
Accrued interest	68	4,800	43,882	26,101	-
Deferred revenue:					
Property taxes	106,383,280	109,658,541	112,243,308	120,271,147	126,702,150
Other local	966,883	911,002	3,337,920	702,425	720,057
State	6,410,031	6,393,194	7,291,766	11,410,495	11,594,501
Federal	695,678	641,133	34,523	121,690	110,569
Long-term liabilities:					
Portion due within one year	2,825,364	3,904,453	10,685,131	10,115,796	9,383,118
Portion due after one year	4,714,842	8,340,636	11,782,032	6,856,284	23,707,816
Total liabilities	<u>164,572,135</u>	<u>167,949,303</u>	<u>184,209,206</u>	<u>195,261,864</u>	<u>218,042,349</u>
Net Assets:					
Invested in capital assets, net of related debt	209,069,073	220,231,040	230,525,010	237,687,796	249,696,279
Restricted for:					
Capital projects	13,942,952	16,127,694	19,879,622	30,185,767	43,953,598
Non K-12 programs	254,465	403,626	385,007	637,829	1,888,317
Education foundation	684,251	737,931	948,935	1,103,869	1,279,242
School lunch	2,015,580	2,527,673	2,935,046	3,871,216	5,292,700
Success charter school	48,464	78,190	119,419	182,499	364,864
Education center	-	-	159,662	19,698	-
Unrestricted	22,083,908	18,009,403	19,371,944	25,506,803	19,988,256
Total net assets	<u>\$ 248,098,693</u>	<u>\$ 258,115,557</u>	<u>\$ 274,324,645</u>	<u>\$ 299,195,477</u>	<u>\$ 322,463,256</u>

Source: District records, information only presented since 2002, when the District was required present financial statements on the accrual basis of accounting.

Granite School District Net Assets by Component

Last Five Fiscal Years - June 30, 2002 through June 30, 2006
(accrual basis of accounting)

	Invested in capital assets, net of related debt	Restricted	Unrestricted	Total net assets
2002	\$ 209,069,073	\$ 16,945,712	\$ 22,083,908	\$ 248,098,693
2003	220,231,040	19,875,114	18,009,403	258,115,557
2004	230,525,010	24,427,691	19,371,944	274,324,645
2005	237,687,796	35,340,845	26,166,836	299,195,477
2006	249,696,279	52,778,721	19,988,256	322,463,256



Source: District records, information only presented since 2002, when the District was required to present financial statements on the accrual basis of accounting.

Granite School District
Changes in Net Assets
Last Five Fiscal Years - June 30, 2002 through 2006
(accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses:					
Instructional services	\$ (251,680,733)	\$ (241,131,082)	\$ (243,094,998)	\$ (247,851,686)	\$ (269,964,191)
Supporting services:					
Students	(14,713,477)	(14,759,488)	(15,290,440)	(16,070,499)	(17,140,175)
Instructional staff	(14,980,312)	(21,212,436)	(21,808,906)	(23,026,016)	(24,207,905)
District administration	(2,415,728)	(2,575,845)	(2,787,791)	(2,837,234)	(3,106,869)
School administration	(19,738,935)	(19,867,833)	(20,329,248)	(21,498,909)	(23,009,057)
Business	(7,004,683)	(6,833,802)	(7,169,098)	(7,409,401)	(7,755,692)
Operation and maintenance of facilities	(32,615,467)	(33,625,966)	(33,407,017)	(35,745,589)	(39,465,012)
Transportation	(8,072,368)	(7,885,287)	(8,153,339)	(8,665,161)	(8,863,439)
School lunch services	(15,424,737)	(15,854,472)	(16,693,757)	(17,009,339)	(17,981,777)
Noninstructional services	(10,076,793)	(10,117,286)	(10,621,864)	(11,539,592)	(13,664,629)
Interest on long-term liabilities	(424)	(84,166)	(112,709)	(153,211)	(42,447)
Total expenses	<u>(376,723,657)</u>	<u>(373,947,663)</u>	<u>(379,469,167)</u>	<u>(391,806,637)</u>	<u>(425,201,193)</u>
Program Revenues:					
Charges for services:					
Instructional services	2,274,969	1,352,646	1,485,995	1,368,419	1,579,857
Supporting services	225,323	639,343	675,977	607,150	925,494
School lunch services	5,219,315	4,938,638	4,930,337	4,836,608	5,130,456
Noninstructional services	171,279	396,948	497,834	1,120,926	924,682
Operating grants and contributions	81,391,488	85,594,345	89,414,541	97,597,800	103,239,515
Capital grants and contributions	202,663	312,771	110,057	-	-
Total program revenues	<u>89,485,037</u>	<u>93,234,691</u>	<u>97,114,741</u>	<u>105,530,903</u>	<u>111,800,004</u>
Net (Expense) Revenue and Changes in Net Assets	<u>(287,238,620)</u>	<u>(280,712,972)</u>	<u>(282,354,426)</u>	<u>(286,275,734)</u>	<u>(313,401,189)</u>
General Revenue and					
Other Changes in Net Assets:					
Property taxes	107,356,948	107,104,486	109,992,530	115,346,766	122,416,698
Federal and State aid not restricted to specific programs	187,494,471	175,330,939	178,097,498	180,893,548	185,424,215
Earnings on investments	2,321,172	1,827,208	1,271,418	2,481,924	5,278,726
Miscellaneous	5,071,816	6,467,203	9,202,068	8,183,737	7,672,435
Special item - gain on sale of real property	-	-	-	4,240,591	376,894
Extraordinary item - gain on insurance recovery	-	-	-	-	15,500,000
Total general revenue and other changes	<u>302,244,407</u>	<u>290,729,836</u>	<u>298,563,514</u>	<u>311,146,566</u>	<u>336,668,968</u>
Change in Net Assets	<u>15,005,787</u>	<u>10,016,864</u>	<u>16,209,088</u>	<u>24,870,832</u>	<u>23,267,779</u>
Net Assets - Beginning	<u>233,092,906</u>	<u>248,098,693</u>	<u>258,115,557</u>	<u>274,324,645</u>	<u>299,195,477</u>
Net Assets - Ending	<u>\$ 248,098,693</u>	<u>\$ 258,115,557</u>	<u>\$ 274,324,645</u>	<u>\$ 299,195,477</u>	<u>\$ 322,463,256</u>

Source: District records, information only presented since 2002, when the District was required present financial statements on the accrual basis of accounting.

Granite School District
Fund Balances - Governmental Funds
Last Five Fiscal Years - June 30, 2002 through 2006

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund balance:					
Reserved	\$ 4,871,903	\$ 4,223,488	\$ 4,079,311	\$ 3,734,685	\$ 4,255,500
Unreserved:					
Designated	17,415,203	17,277,493	21,214,579	24,934,186	41,259,886
Undesignated	2,500,964	2,909,870	1,449,086	3,224,937	3,080,585
Total	<u>24,788,070</u>	<u>24,410,851</u>	<u>26,742,976</u>	<u>31,893,808</u>	<u>48,595,971</u>
 Capital projects fund balance:					
Reserved	9,382,320	12,684,851	10,337,572	15,990,551	7,567,797
Unreserved:					
Designated	4,560,700	4,481,068	4,355,438	11,006,215	27,276,095
Undesignated	-	-	5,204,085	2,046,576	1,597,602
Total	<u>13,943,020</u>	<u>17,165,919</u>	<u>19,897,095</u>	<u>29,043,342</u>	<u>36,441,494</u>
 All other governmental fund balances:					
Reserved	680,477	946,365	1,061,880	947,884	1,173,655
Unreserved:					
Designated, reported in:					
Special revenue funds	1,315,360	1,577,421	2,021,270	2,544,243	3,569,384
Undesignated, reported in:					
Special revenue funds	879,918	1,006,155	1,286,550	2,192,980	3,944,422
Total	<u>2,875,755</u>	<u>3,529,941</u>	<u>4,369,700</u>	<u>5,685,107</u>	<u>8,687,461</u>
 Total governmental fund balances	<u><u>\$ 41,606,845</u></u>	<u><u>\$ 45,106,711</u></u>	<u><u>\$ 51,009,771</u></u>	<u><u>\$ 66,622,257</u></u>	<u><u>\$ 93,724,926</u></u>

Note:

Reserved fund balances are restricted by external requirements for purposes other than appropriation in the next fiscal year.
Designated fund balances are restricted by internal decision for purposes other than appropriation in the next fiscal year.
Undesignated fund balances are those available for appropriation in the next fiscal year.

Source: District records, information only presented since 2002, when the District was required present financial statements on the accrual basis of accounting.

Granite School District
Changes Fund Balances - Governmental Funds
 Last Five Fiscal Years - June 2002 through 2006

	2002	2003	2004	2005	2006
Revenues:					
Property taxes	\$ 106,775,976	\$ 107,045,542	\$ 110,342,249	\$ 115,207,443	\$ 122,960,911
Earnings on investments	2,321,172	1,827,208	1,271,418	2,481,924	4,813,218
State	235,625,446	223,087,452	223,291,757	229,810,197	239,484,538
Federal	33,463,176	38,150,603	44,330,339	48,681,151	49,179,192
School lunch sales	5,219,314	4,938,638	4,930,337	4,836,608	5,130,456
Other local	8,522,807	10,041,218	16,606,769	19,061,998	17,622,331
Total revenues	<u>391,927,891</u>	<u>385,090,661</u>	<u>400,772,869</u>	<u>420,079,321</u>	<u>439,190,646</u>
Expenditures:					
Current:					
Instructional services	222,525,413	211,122,864	215,621,176	218,468,823	220,970,742
Supporting services:					
Students	14,591,873	14,629,725	15,113,910	15,864,371	15,773,681
Instructional staff	14,872,772	21,094,713	21,651,315	22,844,190	23,080,330
District administration	2,366,595	2,525,940	2,737,264	2,737,452	2,799,177
School administration	19,451,229	19,522,424	19,911,683	21,074,566	21,150,316
Business	6,767,378	6,558,634	6,869,483	7,043,802	6,825,886
Operation and maintenance of facilities	31,095,685	30,417,309	31,834,724	34,240,089	35,823,201
Transportation	6,760,276	6,589,011	6,864,943	7,386,844	7,111,688
School lunch services	15,702,031	16,317,431	17,049,063	17,364,911	18,556,276
Noninstructional services	10,057,036	10,103,725	10,608,681	11,527,064	13,646,845
Capital outlay	58,950,456	45,951,923	56,077,936	43,739,808	51,246,449
Debt service:					
Principal	5,752	567,020	1,123,771	6,323,468	5,512,022
Interest and fiscal charges	1,086	81,740	89,498	228,919	105,800
Total expenditures	<u>403,147,582</u>	<u>385,482,459</u>	<u>405,553,447</u>	<u>408,844,307</u>	<u>422,602,413</u>
Excess (deficiency) of revenues over (under) expenditures	(11,219,691)	(391,798)	(4,780,578)	11,235,014	16,588,233
Other financing sources (uses):					
Sale of equipment	89,540	53,950	36,953	96,081	51,909
Sale of real property	175,048	425,254	434,585	4,281,391	1,239,575
Capital lease proceeds	-	3,417,373	-	-	-
Lease revenue bond proceeds	-	-	10,105,000	-	-
Lease revenue bond premium	-	-	107,100	-	-
Transfer to internal service funds/proprietary funds	-	(4,913)	-	-	(113,240)
Total other financing sources (uses)	<u>264,588</u>	<u>3,891,664</u>	<u>10,683,638</u>	<u>4,377,472</u>	<u>1,178,244</u>
Extraordinary item:					
Insurance proceeds	-	-	-	-	9,336,192
Net change in fund balances	(10,955,103)	3,499,866	5,903,060	15,612,486	27,102,669
Fund balances - beginning	<u>52,561,948</u>	<u>41,606,845</u>	<u>45,106,711</u>	<u>51,009,771</u>	<u>66,622,257</u>
Fund balances - ending	<u>\$ 41,606,845</u>	<u>\$ 45,106,711</u>	<u>\$ 51,009,771</u>	<u>\$ 66,622,257</u>	<u>\$ 93,724,926</u>
			as restated		
Debt service as a percentage of noncapital expenditures	0.00%	0.19%	0.35%	1.79%	1.51%

Source: District records, information only presented since 2002, when the District was required present financial statements on the accrual basis of accounting.

Granite School District
Comparative Balance Sheets-General Fund
June 30, 2002 through 2006

	2002	2003	2004	2005	2006
Assets:					
Cash and investments	\$ 31,874,090	\$ 43,339,079	\$ 35,539,094	\$ 75,638,249	\$ 131,051,359
Receivables:					
Property taxes	63,787,414	66,770,404	68,888,692	74,375,080	78,839,516
Other local	615,430	622,955	517,535	1,250,398	877,535
State	18,535,683	150,518	76,499	388,545	330,920
Federal	8,627,718	14,814,549	26,177,849	16,272,965	12,098,630
Prepaid expenditures	638,716	415,226	470,880	447,553	424,571
Inventories	3,425,157	3,004,258	2,930,951	3,020,396	3,432,346
Due from other funds	1,416,467	-	-	-	-
Total assets	<u>\$ 128,920,675</u>	<u>\$ 129,116,989</u>	<u>\$ 134,601,500</u>	<u>\$ 171,393,186</u>	<u>\$ 227,054,877</u>
Liabilities:					
Accounts payable	\$ 2,032,906	\$ 1,688,149	\$ 2,395,413	\$ 2,274,359	\$ 3,156,800
Accrued salaries and related benefits	19,819,121	12,263,116	9,537,057	14,611,044	8,064,018
Due to other funds	11,237,759	16,999,817	19,457,942	36,551,818	76,493,997
Deferred revenue:					
Property taxes	63,590,635	66,358,454	69,159,247	74,154,443	78,633,424
Other local	466,801	385,065	-	426,396	439,735
State	6,392,204	6,370,404	7,274,342	11,359,628	11,560,363
Federal	593,179	641,133	34,523	121,690	110,569
Total liabilities	<u>104,132,605</u>	<u>104,706,138</u>	<u>107,858,524</u>	<u>139,499,378</u>	<u>178,458,906</u>
Fund Balance:					
Reserved for :					
Encumbrances	808,030	804,004	677,480	266,736	398,583
Prepaid expenditures	638,716	415,226	470,880	447,553	424,571
Inventories	3,425,157	3,004,258	2,930,951	3,020,396	3,432,346
Unreserved					
Designated for:					
Undistributed reserve	8,200,000	8,500,000	8,500,000	9,500,000	9,500,000
Planned projects	331,920	196,593	139,849	1,065,868	271,211
Retirement benefits	6,945,512	6,731,180	8,115,524	9,851,403	29,374,242
Compensated absences	1,937,771	1,849,720	1,959,206	2,016,915	2,114,433
Self insurance	-	-	2,500,000	2,500,000	-
Undesignated	2,500,964	2,909,870	1,449,086	3,224,937	3,080,585
Total fund balances	<u>24,788,070</u>	<u>24,410,851</u>	<u>26,742,976</u>	<u>31,893,808</u>	<u>48,595,971</u>
Total liabilities and fund balance	<u>\$ 128,920,675</u>	<u>\$ 129,116,989</u>	<u>\$ 134,601,500</u>	<u>\$ 171,393,186</u>	<u>\$ 227,054,877</u>

Source: District records, information only presented since 2002, when the District was required present financial statements on the accrual basis of accounting.

Granite School District
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances - General Fund
Years Ended June 30, 2002 through 2006 and proposed budget for 2007

	2002	2003	2004	2005	2006	Proposed Bduget 2007
Revenues:						
Property taxes	\$ 60,655,075	\$ 61,709,640	\$ 64,650,080	\$ 69,067,396	\$ 73,891,784	\$ 68,848,777
Earnings on investments	1,558,467	1,443,266	794,118	1,494,393	2,129,331	2,000,000
State	227,813,137	215,792,161	216,110,035	222,006,740	230,754,050	253,874,774
Federal	20,739,077	25,028,805	30,433,643	33,106,530	32,697,345	34,829,715
Other local	5,862,528	6,479,142	8,139,618	7,597,483	9,092,757	14,154,173
Total revenue	<u>316,628,284</u>	<u>310,453,014</u>	<u>320,127,494</u>	<u>333,272,542</u>	<u>348,565,267</u>	<u>373,707,439</u>
Expenditures:						
Current:						
Instruction	222,177,757	210,794,272	215,204,215	217,978,736	220,476,389	254,981,817
Supporting services:						
Students	14,591,873	14,629,725	15,113,910	15,864,371	15,773,681	17,968,352
Instructional staff	14,872,772	21,094,713	21,651,315	22,844,190	23,080,330	20,582,231
District administration	2,366,595	6,422,920	2,737,264	2,737,452	2,799,177	3,097,277
School administration	19,451,229	19,522,424	19,911,683	21,074,566	21,150,316	23,586,909
Business	6,767,378	2,661,654	6,869,483	7,043,802	6,825,886	7,902,139
Operation and maintenance of facilities	31,095,685	30,417,309	31,834,724	34,240,089	35,823,201	40,003,610
Transportation	6,760,276	6,589,011	6,864,943	7,386,844	7,111,688	8,145,216
Total expenditures	<u>318,083,565</u>	<u>312,132,028</u>	<u>320,187,537</u>	<u>329,170,050</u>	<u>333,040,668</u>	<u>376,267,551</u>
Excess (deficiency) of revenues over (under) expenditures	(1,455,281)	(1,679,014)	(60,043)	4,102,492	15,524,599	(2,560,112)
Other financing sources (uses):						
Transfers in (out)	<u>1,792,466</u>	<u>1,301,795</u>	<u>2,392,168</u>	<u>1,048,340</u>	<u>1,177,564</u>	<u>1,763,164</u>
Net change in fund balances	337,185	(377,219)	2,332,125	5,150,832	16,702,163	(796,948)
Fund balances - beginning	24,450,885	24,788,070	24,410,851	26,742,976	31,893,808	38,225,077
Fund balances - ending	<u>\$ 24,788,070</u>	<u>\$ 24,410,851</u>	<u>\$ 26,742,976</u>	<u>\$ 31,893,808</u>	<u>\$ 48,595,971</u>	<u>\$ 37,428,129</u>

Source: District records, information only presented since 2002, when the Distirct was required present financie
statements on the accrual basis of accounting

Granite School District
Historical Summaries of Taxable Values of Property
 Last Ten Tax Years - For the Tax Years Ended December 31, 1996 through 2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Set by State Tax Commission:										
Centrally Assessed	\$ 1,421,214,258	\$ 1,397,210,245	\$ 1,423,296,015	\$ 1,422,018,136	\$ 1,463,375,866	\$ 1,370,751,357	\$ 1,046,875,048	\$ 871,392,738	\$ 1,260,870,537	\$ 1,545,562,862
Set by County Assessor:										
Locally Assessed										
Real Property:										
Residential real estate-primary use	6,272,323,302	7,013,920,200	7,484,527,580	7,726,819,264	8,180,134,903	8,438,510,640	8,737,851,136	8,873,573,643	9,313,558,984	10,044,328,140
Residential real estate-not primary use	298,283,910	302,625,770	317,025,280	323,731,290	340,620,350	391,796,940	400,676,300	391,208,410	392,473,540	400,748,700
Commercial and industrial real estate	2,542,956,640	2,992,055,970	3,220,903,840	3,427,544,520	3,738,300,840	3,935,527,490	4,042,734,340	3,995,809,200	4,032,546,580	4,143,992,420
Agriculture-FAA	12,407,090	12,490,950	8,838,960	8,304,360	11,009,550	8,888,230	10,683,770	9,717,010	11,213,590	12,601,820
Unimproved non FAA	727,230	634,970	1,916,940	2,067,810	685,420	584,190	584,190	584,900	584,370	798,290
Total Real Property	9,131,696,172	10,321,727,860	11,033,212,600	11,488,467,244	12,270,761,063	12,775,309,490	13,192,528,736	13,270,893,163	13,750,377,064	14,602,469,370
Personal Property:										
Fee in lieu property	1,172,221,320	1,383,241,453	1,438,274,846	1,385,772,779	678,812,555	1,393,907,134	1,507,274,599	1,464,905,917	1,476,335,517	2,638,922,990
Mobile home-primary residential use	31,309,224	42,338,392	53,760,871	58,247,470	60,707,577	62,065,968	59,744,283	59,516,216	49,044,650	39,355,196
Mobile home-other use	1,351,898	1,594,730	1,400,347	1,539,976	1,323,864	1,257,233	1,922,987	1,574,960	1,305,134	1,458,034
Commercial and industrial property	867,481,322	901,953,179	1,141,869,395	1,135,480,052	1,083,521,908	1,136,086,349	1,178,491,669	1,170,861,671	1,110,029,585	1,078,624,814
Total Personal Property	2,072,363,764	2,329,127,754	2,635,305,459	2,581,040,277	1,834,365,904	2,593,316,684	2,747,433,538	2,696,858,764	2,636,714,886	3,758,361,034
Total Locally Assessed	11,204,061,936	12,650,855,614	13,668,518,059	14,069,507,521	14,105,126,967	15,368,626,174	15,939,963,274	15,967,751,927	16,387,091,950	18,360,830,404
Total Taxable Property	\$ 12,625,276,194	\$ 14,048,065,859	\$ 15,091,814,074	\$ 15,491,525,657	\$ 15,568,502,833	\$ 16,739,377,531	\$ 16,986,838,322	\$ 16,839,144,665	\$ 17,647,962,487	\$ 19,906,393,266

Source: Utah State Tax Commission - Property Tax Division - List of Final Values by year

Granite School District
Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Years - December 31, 1996 through 2005

Tax Year	Taxable Assessed Value					Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
	Residential	Industrial & Commercial	Agriculture	Personal	Total			
1996	\$ 6,575,607,212	\$ 3,964,170,898	\$ 13,134,320	\$ 2,072,363,764	\$ 12,625,276,194	0.006130	\$ 16,614,663,000	75.99%
1997	7,316,545,970	4,389,266,215	13,125,920	2,329,127,754	14,048,065,859	0.005807	18,438,127,000	76.19%
1998	7,801,552,860	5,786,069,250	10,755,900	1,493,436,064	15,091,814,074	0.005712	19,822,762,000	76.13%
1999	8,050,550,554	5,985,042,708	10,372,170	1,445,560,225	15,491,525,657	0.007045	20,476,989,000	75.65%
2000	8,520,755,253	6,295,198,614	11,704,970	740,843,996	15,568,502,833	0.006678	21,484,274,725	72.46%
2001	8,830,309,580	6,442,365,196	9,472,420	1,457,230,335	16,739,377,531	0.006487	20,929,736,265	79.98%
2002	9,138,527,436	6,268,101,057	11,267,960	1,568,941,869	16,986,838,322	0.006460	21,630,721,291	78.53%
2003	9,264,782,053	6,038,063,609	10,301,910	1,525,997,093	16,839,144,665	0.006740	21,811,737,713	77.20%
2004	9,706,032,524	6,403,444,702	11,799,960	1,526,685,301	17,647,962,487	0.006746	22,571,068,497	78.19%
2005	10,445,076,840	6,768,180,096	13,400,110	2,679,736,220	19,906,393,266	0.006604	23,972,190,780	83.04%

Source: Property Tax Division, Utah State Tax Commission-List of Final Values by Year.

Granite School District
Direct and Overlapping Property Tax Rates
Last Ten Years - December 31, 1996 through 2005
(rate per \$1 of assessed value)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Granite school district rates:										
General fund:										
Basic state supported program	0.002046	0.001950	0.001840	0.001840	0.001881	0.001785	0.001807	0.001825	0.001800	0.001720
Voted leeway program	0.001400	0.001389	0.001400	0.001400	0.001400	0.001400	0.001400	0.001600	0.001600	0.001600
School board leeway program	0.000400	0.000397	0.000400	0.000400	0.000400	0.000400	0.000400	0.000400	0.000400	0.000400
Board-k-3-reading program (1)	-	-	-	-	-	-	-	-	0.000421	0.000421
Tort liability levy	0.000048	0.000036	0.000031	0.000029	0.000027	0.000028	0.000029	0.000050	0.000049	0.000047
Special transportation levy	0.000079	0.000074	0.000073	0.000078	0.000073	0.000072	0.000072	0.000074	0.000073	0.000070
Judgement levy	0.000000	0.000000	0.000043	0.000066	0.000000	0.000000	0.000000	0.000000	0.000000	0.000023
Total general fund	0.003973	0.003846	0.003787	0.003813	0.003781	0.003685	0.003708	0.003949	0.004043	0.003981
Capital projects fund:										
Capital outlay	0.000733	0.000692	0.000687	0.001955	0.001708	0.001623	0.001572	0.001563	0.001488	0.001388
10% additional basic program	0.001297	0.001149	0.001115	0.001153	0.001071	0.001050	0.001050	0.001059	0.001039	0.000992
Total capital projects fund	0.002030	0.001841	0.001802	0.003108	0.002779	0.002673	0.002622	0.002622	0.002527	0.002380
Debt service fund:										
Debt service	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Other:										
Community recreation levy	0.000127	0.000120	0.000123	0.000124	0.000118	0.000129	0.000130	0.000169	0.000176	0.000243
Total direct rate	0.006130	0.005807	0.005712	0.007045	0.006678	0.006487	0.006460	0.006740	0.006746	0.006604
Overlapping rates:										
Salt Lake County	0.003782	0.003551	0.002805	0.003246	0.002904	0.003025	0.002939	0.002868	0.002816	0.002682
Holladay City (1)	-	-	-	-	0.002127	0.002236	0.002171	0.002162	0.002043	0.001983
South Salt Lake City	0.001135	0.001070	0.001090	0.001067	0.001206	0.001411	0.001386	0.001403	0.001417	0.001396
Taylorsville City (1)	-	0.001606	0.001625	0.001645	0.001762	0.001936	0.001895	0.001932	0.001881	0.001801
West Valley City	0.002049	0.001929	0.002432	0.002459	0.002490	0.002666	0.002654	0.002703	0.002694	0.002527
Salt Lake County Library	0.000647	0.000608	0.000607	0.000610	0.000583	0.000764	0.000744	0.000747	0.000733	0.000696
Central Utah Water Project	0.000342	0.000400	0.000397	0.000396	0.000377	0.000369	0.000358	0.000358	0.000353	0.000400
Salt Lake Valley Fire Service (1)	-	-	-	-	-	-	-	-	-	0.001746
Other special districts	0.002610	0.008900	0.006307	0.002666	0.002505	0.002441	0.002382	0.002773	0.002740	0.001502

1) Tax rates begin the first year the entity levied a rate.

Source: Property Tax Division, Utah State Tax Commission-Approved Property Tax Rates by Year.

Granite School District
Principal Property Tax Payers
December 31, 2005 and 1996

Taxpayer	2005			1996		
	Taxable Value*	Rank	Percent of Total Taxable Value	Taxable Value*	Rank	Percent of Total Taxable Value
Kennecott/Utah Copper Division	\$ 1,118,709,742	1	7.12 %	\$ 1,090,724,473	1	9.52 %
Pacific Corp (UP&L)	188,624,178	2	1.20 %	149,333,260	3	1.30 %
Alliant Techsystems Inc.	127,252,268	3	0.81 %	182,083,152	2	1.59 %
Verizon Wireless	99,241,782	4	0.63 %			
Novus Development	79,205,651	5	0.50 %			
Qwest	67,628,659	6	0.43 %	93,444,880	5	0.82 %
Questar	65,208,367	7	0.41 %	145,117,790	4	1.27 %
Hermes Associates & LTD	61,925,300	8	0.39 %	53,830,151	8	0.47 %
VFM-ALC LC	55,379,500	9	0.35 %			
Wal-Mart Real Estate Business	49,006,200	10	0.31 %			
Price Financing				93,200,018	6	0.81 %
Franklin Development				59,341,556	7	0.52 %
Paracelsus PHC Regional				51,126,550	9	0.45 %
American Express Travel				42,732,965	10	0.37 %
	<u>\$ 1,912,181,647</u>		<u>12.15 %</u>	<u>\$ 1,960,934,795</u>		<u>17.12 %</u>
Total taxable value	\$ 15,721,904,414			\$ 11,453,054,874		

* Taxable value as used in this table excludes all tax equivalent property associated with motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the state.

Source: Wells Fargo Bank

Granite School District
Property Tax Levies and Collections
 Last Ten Tax Years December 31, 1996 through 2005

Calendar Year	Taxes Levied	Collections		Total Collections to Date	
		In the Year of Levy	Percentage of Levy	In Subsequent Years	Amount Percentage of Levy
1996	\$ 80,261,116	\$ 76,565,561	95.40%	\$ 180,778 *	\$ 76,746,339 95.62%
1997	84,374,606	80,643,821	95.58%	542,265 *	81,186,086 96.22%
1998	87,110,583	84,158,087	96.61%	1,346,858 *	85,504,945 98.16%
1999	105,866,666	101,993,569	96.34%	2,911,733	104,905,302 99.09%
2000	107,163,816	102,986,062	96.10%	3,581,928	106,567,990 99.44%
2001	106,870,529	102,431,163	95.85%	3,963,776	106,394,939 99.55%
2002	107,052,123	102,695,760	95.93%	3,400,881	106,096,641 99.11%
2003	110,043,378	105,785,538	96.13%	3,038,228	108,823,766 98.89%
2004	116,233,153	112,031,587	96.39%	2,247,046	114,278,633 98.32%
2005	121,578,008	117,753,192	96.85%	- **	117,753,192 96.85%

* Subsequent years' collections data prior to 1999 are not complete due to unavailable records.

** Taxes are due by November 30. There are no collections on delinquent taxes as of December 31, 2005.

Source: District records

Granite School District
Ratios of Outstanding Debt
Last Ten Fiscal Years - June 30, 1997 through 2006

Fiscal Year	Outstanding Debt		Debt As Percentage of Taxable Value	Debt per Personal Income	Debt per Capita	Debt per Student*
	Lease Revenue Bonds	Capital Leases				
1997	\$ -	\$ 112,712	0.001%	5.03	0.35	1.51
1998	-	635,675	0.005%	26.69	1.95	8.57
1999	-	518,542	0.003%	20.70	1.57	7.26
2000	-	21,200	0.000%	0.83	0.06	0.30
2001	-	15,916	0.000%	0.58	0.05	0.23
2002	-	10,164	0.000%	0.35	0.03	0.15
2003	-	2,858,211	0.017%	97.39	8.28	42.06
2004	10,105,000	1,732,539	0.070%	396.73	33.16	178.48
2005	5,050,000	462,022	0.031%	175.74	15.18	82.67
2006	-	-	0.000%	-	-	-

*Based on average daily membership

Source: District records

Granite School District
Direct and Overlapping Governmental Activities Debt
June 30, 2006

<u>Taxing Entity</u>	<u>2005 Taxable Value</u>	<u>Granite School District's Portion of Taxable Value</u>	<u>Grante School District's Percentage</u>	<u>Entity's General Obligation Debt</u>	<u>Granite School District's Portion of G.O. Debt</u>
Overlapping:					
CUWCD	\$ 78,610,433,263	\$ 19,652,608,316	25.0%	\$ 62,116,393	\$ 15,529,098
Salt Lake County	53,961,875,420	18,886,656,397	35.0%	191,570,000	67,049,500
Cottonwood Heights Parks	1,471,619,766	1,471,619,766	100.0%	6,255,000	6,255,000
SL County Regional Service Area	1,788,402,463	536,520,739	30.0%	2,685,000	805,500
Total Overlapping					<u>82,578,598</u>
				Granite School District direct debt	<u>-</u>
				Total direct and overlapping debt	<u>\$ 82,578,598</u>

Source: Salt Lake County-Comprehensive Annual Financial Report for 2005

Granite School District
Legal Debt Margin Information

Last Ten Tax Years - December 31, 1996 through 2005

Calendar Year	Estimated Fair Market Value	Debt Limit*	Less General Obligation Debt	Legal Debt Margin	Percentage of Debt to Debt Limit*
1996	\$ 16,614,663,000	\$ 664,586,520	\$ -	\$ 664,586,520	\$ -
1997	18,438,127,000	737,525,080	-	737,525,080	-
1998	19,822,762,000	792,910,480	-	792,910,480	-
1999	20,476,989,000	819,079,560	-	819,079,560	-
2000	21,484,274,725	859,370,989	-	859,370,989	-
2001	20,929,736,265	837,189,451	-	837,189,451	-
2002	21,630,721,291	865,228,852	-	865,228,852	-
2003	21,811,737,713	872,469,509	-	872,469,509	-
2004	22,571,068,497	902,842,740	-	902,842,740	-
2005	23,972,190,780	958,887,631	-	958,887,631	-

* The general obligation indebtedness of the District is limited by Utah law to 4% of the fair market value of taxable property in the District. The legal debt margin (additional debt incurring capacity of the District) is based on estimated assessed value.

Source: District records

Granite School District
Pledged Revenue Bonds
Last Ten Fiscal Years - June 30, 1997 through 2006

Year	Revenue	Plus Premium	Net Available Revenue	Operating Expenses	Less		Coverage
					Operating	Debt Service	
					Expenses	Principal Interest	
1997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ - \$ -	- %
1998	-	-	-	-	-	- -	-
1999	-	-	-	-	-	- -	-
2000	-	-	-	-	-	- -	-
2001	-	-	-	-	-	- -	-
2002	-	-	-	-	-	- -	-
2003	-	-	-	-	-	- -	-
2004	14,150,887	107,100	14,257,987	14,165,963	-	-	100.65
2005	8,107,359	-	8,107,359	2,959,871	5,055,000	183,013	98.90
2006	5,151,000	-	5,151,000	1,500	5,050,000	101,000	99.97

The District's Municipal Building Authority issued the lease revenue bonds in fiscal year 2004, for the purchase and remodel of the Granite Education Center. The bonds were scheduled to be repaid over a two year period with the final payment occurring in fiscal year 2006. The 2004 revenue includes the bond proceeds.

Source: District records

Granite School District
Demographic and Economic Statistics
 Last ten fiscal years - June 30, 1997 through 2006

Year	Granite School District Estimated Population*	Salt Lake County Estimated Population**	Salt Lake County Total Personal Income**	Salt Lake County Per Capita Income**	Salt Lake County Unemployment Rate**	Salt Lake County Estimated New Construction**	Number of Students of Minority Ancestry
1997	319,000	818,860	\$ 18,362,935,500	\$ 22,425	3.0%	\$ 1,379,618,800	not available
1998	326,000	830,627	19,786,365,767	23,821	2.7%	1,549,567,100	12,375
1999	331,000	837,710	20,985,473,210	25,051	3.4%	1,465,718,200	13,796
2000	336,000	843,271	21,601,229,936	25,616	3.4%	1,403,778,300	15,192
2001	343,000	902,777	24,983,450,698	27,674	3.0%	1,421,173,300	15,240
2002	356,000	918,279	26,552,037,285	28,915	4.3%	1,389,766,300	16,613
2003	345,000	927,564	27,223,075,836	29,349	6.3%	1,141,987,800	17,578
2004	357,000	940,465	28,061,594,670	29,838	5.7%	1,430,810,400	18,401
2005	363,000	955,166	29,958,781,590	31,365	5.2%	1,673,009,200	20,508
2006	372,000	978,285	N/A	N/A	4.4%	2,073,618,000	22,171

* A 2002 study by district personnel estimated that 38% of Salt Lake County residents, live within the Granite school district boundaries. This estimate was used for all years.

** The District covers the most of the northern half of Salt Lake County, which encompasses several municipalities and unincorporated areas making statistics to the District impracticable to obtain. This statistics for Salt Lake County are given since those are representative of the District. These statistics were obtain from the County's year-end financial reports. The actual per capita income as provided by the Bureau of Economic Analysis lags one year behind. Therefore, it is not available for the latest year. Prior year figures are revised as needed.

Source: Salt Lake County - Comprehensive Annual Financial Report by year, District records

Granite School District
Principal Employers
June 30, 2006 and 1997

Employer*	2006				1997			
	Number of Employees	Rank	Percent of District's Total Estimated Population	Percent of District's Total Estimated Workforce	Number of Employees	Rank	Percent of District's Total Estimated Population	Percent of District's Total Estimated Workforce
Intermountain Healthcare	12,500	1	3.4%	4.8%	8,500	1	2.7%	3.9%
Granite School District	8,000	2	2.2%	3.1%	7,000	2	2.2%	3.2%
Novus (Discover Card)	4,500	3	1.2%	1.7%	2,000	4	0.6%	0.9%
Wal-Mart Stores	3,500	4	0.9%	1.3%				
Albertson's Food Stores	2,500	5	0.7%	1.0%	2,000	6	0.6%	0.9%
Smith's Food Stores	2,500	6	0.7%	1.0%	2,000	7	0.6%	0.9%
Teleperformance USA	2,500	7	0.7%	1.0%				
Convergys	2,500	8	0.7%	1.0%	2,000	5	0.0%	0.9%
Salt Lake Community College	2,500	9	0.7%	1.0%				
Qwest Corp	2,500	10	0.7%	1.0%				
Unibase Data Entry					2,500	3	0.8%	1.1%
St. Marks Hospital					1,500	8	0.5%	0.7%
Franklin Covey					1,500	9	0.5%	0.7%
Cottonwood Hospital					1,500	10	0.5%	0.7%
Totals	43,500		12.0%	16.7%	30,500		9.7%	13.9%

* The number of employees within the District's boundaries for these employers is unavailable. Therefore the number of employees listed represents the best data available, which comes from Salt Lake County and the State of Utah.

Source: Utah Department of Workforce Services

Granite School District
Full-Time Equivalents by Functional Category
 Last Ten Fiscal Years - June 30, 1997 through 2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Instructional services	3,343.95	3,328.34	3,375.36	3,392.35	3,385.78	3,461.00	3,268.16	3,312.61	3,256.28	3,270.44
Supporting services:										
Students	216.47	217.12	219.07	218.69	218.61	222.49	230.10	230.84	230.09	232.99
Instructional staff	159.37	157.41	157.10	159.23	162.71	128.93	127.34	132.08	135.87	126.37
District administration	16.75	20.25	17.25	16.75	16.75	16.75	16.75	16.75	14.75	14.75
School administration	276.26	279.76	280.26	282.81	282.31	285.61	283.28	281.48	282.48	279.48
Business	77.00	76.00	83.00	88.00	94.00	102.00	96.00	102.00	98.31	99.00
Operation and maintenance of facilities	358.76	360.76	357.76	354.26	368.76	369.76	355.26	353.76	357.76	360.76
Transportation	114.23	121.22	124.48	122.85	127.29	122.14	123.21	127.34	126.88	126.35
School lunch services	127.37	120.62	119.51	117.08	116.03	117.20	119.48	119.46	122.53	121.28
Noninstructional services	101.05	109.86	109.55	110.18	73.42	73.50	71.39	65.17	82.18	88.98
Capital outlay	93.49	90.99	99.49	96.29	103.29	100.00	97.99	97.99	90.99	91.92
Total full-time equivalents	4,884.70	4,882.33	4,942.83	4,958.49	4,948.95	4,999.38	4,788.96	4,839.48	4,798.12	4,812.32

Source: District records

Granite School District
Expenses by Function-Statement of Activities
Last Five Fiscal Years - June 30, 2002 through 2006

Function	2002	2003	2004	2005	2006
Instruction	\$ 251,680,733 66.81%	\$ 241,132,812 64.48%	\$ 243,094,998 64.06%	\$ 247,851,686 63.26%	\$ 269,964,191 63.49%
Support services:					
Students	14,713,477 3.91%	14,759,488 3.95%	15,290,440 4.03%	16,070,499 4.10%	17,140,175 4.03%
Instructional staff	14,980,312 3.98%	21,212,436 5.67%	21,808,906 5.75%	23,026,016 5.88%	24,207,905 5.69%
District administration	2,415,728 0.64%	2,575,845 0.69%	2,787,791 0.73%	2,837,234 0.72%	3,106,869 0.73%
School administration	19,738,935 5.24%	19,867,833 5.31%	20,329,248 5.36%	21,498,909 5.49%	23,009,057 5.41%
Business	7,004,683 1.86%	6,833,802 1.83%	7,169,098 1.89%	7,409,401 1.89%	7,755,692 1.82%
Operation and maintenance of facilities	32,615,467 8.66%	33,625,967 8.99%	33,407,017 8.80%	35,745,589 9.12%	39,465,012 9.28%
Transportation	8,072,368 2.14%	7,885,287 2.11%	8,153,339 2.15%	8,665,161 2.21%	8,863,439 2.08%
School lunch services	15,424,737 4.09%	15,854,472 4.24%	16,693,757 4.40%	17,009,339 4.34%	17,981,777 4.23%
Noninstructional services	10,076,793 2.67%	10,117,286 2.71%	10,621,864 2.80%	11,539,592 2.95%	13,664,629 3.21%
Interest on long-term liabilities	424 0.00%	84,166 0.02%	112,709 0.03%	153,211 0.04%	42,447 0.01%
Total Expenditures	<u>\$ 376,723,657</u>	<u>\$ 373,949,394</u>	<u>\$ 379,469,167</u>	<u>\$ 391,806,637</u>	<u>\$ 425,201,193</u>
Average Daily Membership	68,968	67,961	66,324	66,678	66,299
Average Expenditures Per Pupil	\$5,462	\$5,502	\$5,721	\$5,876	\$6,413

Source: District records, information only presented since 2002, when the District was required present financial statements on the accrual basis of accounting.

Granite School District
Expenses by Function Per Pupil-Statement of Activities
Last Five Fiscal Years - June 30, 2002 through 2006

Function	2002	2003	2004	2005	2006
Instruction	\$ 3,649 66.81%	\$ 3,548 64.48%	\$ 3,665 64.06%	\$ 3,717 63.26%	\$ 4,073 63.49%
Support services:					
Students	214 3.91%	217 3.95%	231 4.03%	241 4.10%	258 4.03%
Instructional staff	217 3.98%	312 5.67%	329 5.75%	346 5.88%	365 5.69%
District administration	35 0.64%	38 0.69%	42 0.73%	42 0.72%	47 0.73%
School administration	286 5.24%	292 5.31%	307 5.36%	323 5.49%	347 5.41%
Business	102 1.86%	101 1.83%	108 1.89%	111 1.89%	117 1.82%
Operation and maintenance of facilities	473 8.66%	495 8.99%	503 8.80%	536 9.12%	595 9.28%
Transportation	117 2.14%	116 2.11%	123 2.15%	130 2.21%	133 2.08%
School lunch services	223 4.09%	233 4.24%	252 4.40%	255 4.34%	271 4.23%
Noninstructional services	146 2.67%	149 2.71%	160 2.80%	173 2.95%	206 3.21%
Interest on long-term liabilities	- -	1 0.02%	2 0.03%	2 0.04%	1 0.01%
Total Expenditures	<u>\$ 5,462</u>	<u>\$ 5,502</u>	<u>\$ 5,721</u>	<u>\$ 5,876</u>	<u>\$ 6,413</u>
Average Daily Membership	68,968	67,961	66,324	66,678	66,299

Source: District records, information only presented since 2002, when the District was required present financial statements on the accrual basis of accounting.

Granite School District
Expenditures by Function-General Fund
 Last Ten Fiscal Years - June 30, 1997 through 2006

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Instruction	\$ 183,088,872 69.77%	\$ 188,965,965 69.31%	\$ 196,538,821 69.72%	\$ 201,486,497 70.11%	\$ 208,494,961 69.50%	\$ 222,177,757 69.85%	\$ 210,794,272 67.53%	\$ 215,204,215 67.21%	\$ 217,978,736 66.22%	\$ 220,476,389 66.20%
Support services:										
Students	12,464,902 4.75%	13,289,844 4.87%	13,252,747 4.70%	13,675,755 4.76%	14,147,717 4.69%	14,591,873 4.59%	14,629,725 4.69%	15,113,910 4.72%	15,864,371 4.82%	15,773,681 4.74%
Instructional staff	12,897,744 4.91%	13,303,024 4.88%	13,754,320 4.88%	13,203,723 4.59%	14,043,731 4.66%	14,872,772 4.68%	21,094,713 6.76%	21,651,315 6.76%	22,844,190 6.94%	23,080,330 6.93%
District administration	2,223,101 0.85%	2,519,171 0.92%	2,272,711 0.81%	2,284,483 0.79%	2,304,445 0.76%	2,366,595 0.74%	2,525,940 0.81%	2,737,264 0.85%	2,737,452 0.83%	2,799,177 0.84%
School administration	16,048,497 6.12%	16,740,649 6.14%	17,331,935 6.15%	17,687,727 6.15%	18,621,389 6.18%	19,451,229 6.12%	19,522,424 6.25%	19,911,683 6.22%	21,074,566 6.40%	21,150,316 6.35%
Business	4,119,977 1.57%	4,391,155 1.61%	5,019,383 1.78%	5,332,045 1.86%	6,243,993 2.07%	6,767,378 2.13%	6,558,634 2.10%	6,869,483 2.15%	7,043,802 2.14%	6,825,886 2.05%
Operation and maintenance of facilities	25,970,271 9.90%	27,391,018 10.05%	27,112,725 9.62%	27,482,694 9.57%	29,931,504 9.93%	31,095,685 9.78%	30,417,309 9.75%	31,834,724 9.94%	34,240,089 10.40%	35,823,201 10.76%
Transportation	5,145,187 1.96%	5,439,823 2.00%	6,008,194 2.13%	6,221,453 2.16%	6,664,135 2.21%	6,760,276 2.13%	6,589,011 2.11%	6,864,943 2.14%	7,386,844 2.24%	7,111,688 2.14%
Noninstructional services	472,545 0.18%	605,252 0.22%	619,555 0.22%	5,461 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
Total Expenditures	\$ 262,431,096	\$ 272,645,901	\$ 281,910,391	\$ 287,389,838	\$ 301,451,875	\$ 318,083,565	\$ 312,132,028	\$ 320,187,537	\$ 329,170,050	\$ 333,040,668
Average Daily Membership	74,848	74,216	71,402	69,737	69,504	68,968	67,961	66,324	66,678	66,299
Average Expenditures Per Pupil	\$3,506	\$3,674	\$3,948	\$4,121	\$4,337	\$4,612	\$4,593	\$4,828	\$4,937	\$5,023

Source: District records

Granite School District
Expenditures by Function Per Pupil-General Fund
 Last Ten Fiscal Years - June 30, 1997 through 2006

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Instruction	\$ 2,446 69.77%	\$ 2,545 69.31%	\$ 2,751 69.72%	\$ 2,880 70.11%	\$ 3,015 69.50%	\$ 3,222 69.85%	\$ 3,103 67.53%	\$ 3,245 67.21%	\$ 3,269 66.22%	\$ 3,326 66.20%
Support services:										
Students	167 4.75%	179 4.87%	186 4.70%	196 4.76%	203 4.69%	212 4.59%	215 4.69%	228 4.72%	238 4.82%	238 4.74%
Instructional staff	172 4.91%	179 4.88%	193 4.88%	189 4.59%	202 4.66%	216 4.68%	310 6.76%	326 6.76%	343 6.94%	348 6.93%
District administration	30 0.85%	34 0.92%	32 0.81%	33 0.79%	33 0.76%	34 0.74%	37 0.81%	41 0.85%	41 0.83%	42 0.84%
School administration	215 6.12%	226 6.14%	243 6.15%	253 6.15%	268 6.18%	282 6.12%	287 6.25%	300 6.22%	316 6.40%	319 6.35%
Business	55 1.57%	59 1.61%	70 1.78%	77 1.86%	90 2.07%	98 2.13%	96 2.10%	104 2.15%	106 2.14%	103 2.05%
Operation and maintenance of facilities	347 9.90%	369 10.05%	380 9.62%	394 9.57%	431 9.94%	451 9.78%	448 9.75%	480 9.94%	513 10.40%	540 10.76%
Transportation	68 1.95%	73 2.00%	84 2.12%	89 2.17%	95 2.20%	97 2.11%	97 2.11%	104 2.15%	111 2.24%	107 2.14%
Noninstructional services	6 0.18%	8 0.22%	9 0.22%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
Total Expenditures	\$ 3,506	\$ 3,674	\$ 3,948	\$ 4,121	\$ 4,337	\$ 4,612	\$ 4,593	\$ 4,828	\$ 4,937	\$ 5,023
Average Daily Membership	74,848	74,216	71,402	69,737	69,504	68,968	67,961	66,324	66,678	66,299

Source: District records

Granite School District
Average Daily Membership vs. Average Daily Attendance
Last Ten Fiscal Years - June 30, 1997 through 2006

Fiscal Year	Average Daily Membership	Average Daily Attendance	Ratio of ADA to ADM
1997	74,848	71,155	95.07%
1998	74,216	70,655	95.20%
1999	71,402	68,356	95.73%
2000	69,737	64,475	92.45%
2001	69,504	65,850	94.74%
2002	68,968	64,990	94.23%
2003	67,961	64,316	94.64%
2004	66,324	64,428	97.14%
2005	66,678	63,075	94.60%
2006	66,299	63,400	95.63%

Source: District records

Granite School District
History of High School Graduates
 Last Ten School Years - School Years 1996 through 2005

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
Cottonwood	561	569	474	521	489	498	446	441	422	393	4,814
Cyprus	334	395	374	353	351	334	279	303	380	308	3,411
Granger	381	429	392	461	373	391	377	319	414	323	3,860
Granite	245	230	237	251	197	192	170	178	221	146	2,067
Hunter	621	595	511	564	516	517	547	584	510	566	5,531
Kearns	554	599	524	543	536	472	496	418	527	463	5,132
Olympus	495	456	434	486	413	451	451	403	460	449	4,498
Skyline	597	597	543	557	558	480	458	441	465	464	5,160
Taylorville	647	654	621	630	594	562	556	503	554	499	5,820
Special Programs	190	120	332	317	301	291	377	296	358	478	3,060
Total	<u>4,625</u>	<u>4,644</u>	<u>4,442</u>	<u>4,683</u>	<u>4,328</u>	<u>4,188</u>	<u>4,157</u>	<u>3,886</u>	<u>4,311</u>	<u>4,089</u>	<u>43,353</u>

Source: District records

**Granite School District
Capital Asset Information**

Last Ten Fiscal Years - June 30, 1997 through 2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Buildings:										
Elementary:										
Number	62	62	62	62	63	63	61	61	61	61
Square feet	3,315,337	3,315,337	3,315,337	3,315,337	3,393,831	3,393,831	3,318,443	3,318,443	3,318,443	3,318,443
Capacity	35,825	35,825	35,825	35,825	36,550	36,550	35,675	35,675	35,675	35,675
Enrollment	38,976	38,466	38,041	37,588	37,327	37,603	37,142	36,998	36,742	36,733
Middle Schools:										
Number	15	15	15	15	15	15	16	16	16	16
Square feet	2,062,809	2,062,809	2,062,809	2,062,809	2,062,809	2,062,809	2,280,808	2,280,808	2,280,808	2,172,202
Capacity	16,825	16,825	16,825	16,825	16,825	16,825	18,425	18,425	18,425	17,525
Enrollment	17,871	17,099	16,395	15,957	15,787	15,913	15,780	15,223	15,349	15,052
High Schools:										
Number	9	9	9	9	9	9	9	9	9	9
Square feet	2,553,440	2,553,440	2,553,440	2,553,440	2,553,440	2,553,440	2,553,440	2,553,440	2,553,440	2,553,440
Capacity	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850
Enrollment	16,268	16,040	15,839	15,564	15,105	14,881	14,435	14,527	14,278	13,465
Special Schools:										
Number	3	3	3	4	4	4	4	4	4	4
Square feet	165,609	165,609	165,609	165,609	165,609	135,365	135,365	135,365	135,365	135,365
Capacity *										
Enrollment	2,471	2,610	2,442	2,432	2,445	2,251	2,303	2,392	2,262	1,049
Other Buildings:										
Number	4	4	4	4	4	4	6	8	7	6
Square Feet	308,940	308,940	308,940	308,940	308,940	308,940	384,328	689,328	657,140	616,900
Total School Buildings	89	89	89	90	91	91	90	90	90	90
Square Feet	8,097,195	8,097,195	8,097,195	8,097,195	8,175,689	8,145,445	8,288,056	8,288,056	8,288,056	8,179,450
Capacity	69,500	69,500	69,500	69,500	70,225	70,225	70,950	70,950	70,950	70,050
Enrollment	75,586	74,215	72,717	71,541	70,664	70,648	69,660	69,140	68,631	66,299
Acres of Land	1,317.7	1,317.7	1,317.7	1,317.7	1,329.7	1,350.1	1,350.1	1,373.1	1,365.7	1,360.7
Number of Portables **							235	235	229	224
Number of Vehicles **							607	620	635	653

* - Information for special school varies depending on needs of students

** - Information for these assets is not accessible for fiscal years ending before June 30, 2003.

Source: District records

Granite School District
Teacher Compensation Data
 Last Ten Fiscal Years - June 30, 1997 through 2006

<u>Fiscal Year Ending June 30,</u>	<u>Bachelor Degree 1st Year Teacher Wage</u>	<u>Doctorate Degree 20th Year Teacher Wage</u>	<u>District Average* Teacher Wage</u>	<u>District Average* Teacher Benefits**</u>	<u>Total District Average* Teacher Compensation</u>	<u>State Average* Teacher Compensation</u>
1997	\$ 22,109	\$ 47,408	\$ 33,711	\$ 12,064	\$ 45,775	\$ 44,258
1998	22,773	48,830	33,976	12,268	46,244	44,789
1999	23,456	50,295	35,717	12,666	48,383	47,127
2000	23,749	50,924	36,121	13,201	49,322	48,331
2001	25,411	52,960	36,535	13,255	49,790	51,495
2002	26,428	55,079	38,600	13,911	52,511	52,792
2003	26,428	55,079	39,248	14,551	53,799	53,268
2004	26,428	55,079	39,270	15,885	55,155	55,214
2005	26,759	55,768	39,931	17,099	57,030	57,001
2006	27,561	57,440	40,342	18,050	58,392	59,182

* As calculated and reported by the Utah State Office of Education in the Annual Statistical Report

** Includes all benefits including State retirement, but does not include District retirement benefits

Granite School District
Students per Instructional Staff
 Last Ten Fiscal Years- June 30, 1997 through 2006

<u>Fiscal Year</u>	<u>Average Daily Membership</u>	<u>Teachers and Instructional Staff</u>	<u>Average Ratio of Students to Teachers and Instructional Staff</u>
1997	74,848	3,344	22.38
1998	74,216	3,328	22.30
1999	71,402	3,375	21.15
2000	69,737	3,392	20.56
2001	69,504	3,386	20.53
2002	68,968	3,461	19.93
2003	67,961	3,268	20.80
2004	66,324	3,313	20.02
2005	66,678	3,256	20.48
2006	66,299	3,270	20.27

Source: District records

Granite School District
Nutrition Services- Facts and Figures
 Last Ten Fiscal Years - June 30, 1997 through 2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Participating schools:										
Lunch	93	93	93	93	93	92	89	90	90	90
Breakfast	26	29	26	34	41	42	42	47	55	58
Student lunches served:										
Free	1,945,117	2,014,742	2,030,878	2,101,598	2,117,364	2,300,193	2,534,500	2,729,783	2,861,565	2,908,055
Reduced	827,461	784,148	796,907	828,993	822,202	819,289	801,733	808,173	785,851	783,675
Fully paid	3,379,906	3,143,467	3,070,926	3,050,871	2,994,181	2,895,091	2,753,654	2,727,978	2,706,723	2,637,831
Total	<u>6,152,484</u>	<u>5,942,357</u>	<u>5,898,711</u>	<u>5,981,462</u>	<u>5,933,747</u>	<u>6,014,573</u>	<u>6,089,887</u>	<u>6,265,934</u>	<u>6,354,139</u>	<u>6,329,561</u>
Student breakfasts served:										
Free	328,171	356,940	366,992	427,000	518,564	567,322	624,851	697,886	847,867	915,776
Reduced	62,439	58,761	61,567	86,595	106,613	102,450	103,621	104,153	119,723	131,302
Fully paid	66,329	70,659	75,832	108,317	126,213	125,958	125,996	137,139	164,648	186,011
Total	<u>456,939</u>	<u>486,360</u>	<u>504,391</u>	<u>621,912</u>	<u>751,390</u>	<u>795,730</u>	<u>854,468</u>	<u>939,178</u>	<u>1,132,238</u>	<u>1,233,089</u>
Percentage of free/reduced/fully paid lunch										
Free	31.62%	33.90%	34.43%	35.14%	35.68%	38.24%	41.62%	43.57%	45.03%	45.94%
Reduced	13.45%	13.20%	13.51%	13.86%	13.86%	13.62%	13.16%	12.90%	12.37%	12.38%
Fully paid	54.94%	52.90%	52.06%	51.01%	50.46%	48.13%	45.22%	43.54%	42.60%	41.67%
Percentage of free/reduced/fully paid breakfast										
Free	71.82%	73.39%	72.76%	68.66%	69.01%	71.30%	73.13%	74.31%	74.88%	74.27%
Reduced	13.66%	12.08%	12.21%	13.92%	14.19%	12.87%	12.13%	11.09%	10.57%	10.65%
Fully paid	14.52%	14.53%	15.03%	17.42%	16.80%	15.83%	14.75%	14.60%	14.54%	15.08%
Average daily participation:										
Lunch	35,273	33,003	31,275	31,875	32,046	31,686	31,686	32,734	33,484	33,562
Breakfast	2,584	2,598	2,840	3,061	4,022	4,401	4,401	4,573	4,809	6,738
Average daily membership	74,848	74,216	71,402	69,737	69,504	68,968	67,961	66,324	66,678	66,299
Percentage participating in school lunch/breakfasts										
Lunch	47.13%	44.47%	43.80%	45.71%	46.11%	45.94%	46.62%	49.35%	50.22%	50.62%
Breakfast	3.45%	3.50%	3.98%	4.39%	5.79%	6.38%	6.48%	6.89%	7.21%	10.16%

GRANITE SCHOOL DISTRICT
SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS

Year Ended June 30, 2006

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GRANITE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Grantor / Pass-through Grantor / Program Title	CFDA Number	Pass-through Grantor's Number	District's Program Number	(Deferral) Receivable June 30, 2005	Received	Expended	(Deferral) Receivable June 30, 2006
U.S. DEPARTMENT OF AGRICULTURE:							
Passed Through Salt Lake County:							
Schools and Roads - Grants to States	10.565	n/a	9999	\$ -	\$ 8,666	\$ 8,666	\$ -
Passed Through Utah State Office of Education:							
Food Donation (Commodities)	10.550	n/a	8001	-	1,215,889	1,215,889	-
School-Breakfast Program	10.553	44	8004	-	1,525,248	1,584,480	59,232
National School Lunch Program	10.555	42/43	8001	325,190	8,845,315	8,831,667	311,542
Special Milk Program for Children	10.556	41	8001	-	660	1,090	430
Child and Adult Care Food Program	10.558	47	8001	-	33,877	37,375	3,498
				325,190	11,629,655	11,679,167	374,702
U.S. DEPARTMENT OF JUSTICE:							
Direct:							
Developing, Testing and Demonstrating Promising New Programs	16.541	2005JLFX0167	7323/7324	220,554	525,607	665,514	360,461
Public Safety Partnership and Community Policing Grants	16.710	2005CKWX0413	7326	-	84,603	176,871	92,268
Passed Through Neighborhood Action Coalition:							
Enforcing Underage Drinking Laws Program	16.727	n/a	7725	(4,985)	-	2,578	(2,407)
Passed Through the City of Taylorsville:							
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	n/a	7707	(104)	-	-	(104)
				215,465	610,210	844,963	450,218
U.S. DEPARTMENT OF EDUCATION:							
Direct:							
Indian Education - Grants to Local Educational Agencies	84.060	S060A020264	7322	52,726	108,881	127,249	71,094
Fund for the Improvement of Education (FIE)	84.215	S215X020333	7329	176,223	775,602	845,978	246,599
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334A020200	7331	483,366	1,535,104	1,694,358	642,620
Transition to Teaching	84.350	S350A010093	7378	28,527	85,127	56,600	-
Early Reading First	84.359	S359B050020	7350	-	341,827	682,511	340,684
Passed Through Utah State Office of Education:							
Adult Education - State Grant Program	84.002	33	7580	149,101	393,500	320,293	75,894
Title I Grants to Local Educational Agencies	84.010	08	7801	4,927,850	11,666,419	9,103,107	2,364,538
Title I Program for Neglected and Delinquent Children	84.013	13	7841	95,579	152,325	130,581	73,835
Special Education - Grants to States	84.027	19	7551	3,588,826	12,297,967	12,022,091	3,312,950
Special Education - Grants to States	84.027	n/a	7720	(19,691)	31,400	33,516	(17,575)
Vocational Education - Basic Grants to States	84.048	21	6940	962,675	1,365,003	985,917	583,589
Special Education - Preschool Grants	84.173	52	7550	228,617	552,006	408,914	85,525
Safe and Drug-Free Schools and Communities - State Grants	84.186	09	7891	362,042	485,799	321,970	198,213
Education for Homeless Children and Youth	84.196	28	7951	14,000	14,000	14,000	14,000
Even Start - State Educational Agencies	84.213	18	7821	181,044	401,115	357,159	137,088
Charter Schools	84.282	79	7625	25,504	38,050	29,017	16,471
Twenty-First Century Community Learning Centers	84.287	60	7910	212,127	457,187	340,951	95,891
State Grants for Innovative Programs	84.298	90	7921	177,641	328,531	216,265	65,375
Education Technology State Grants	84.318	07	7871	328,672	742,014	988,790	575,448
Special Education - State Personnel Development	84.323	CSPD2004	7721	1,845	4,175	7,330	5,000
Comprehensive School Reform Demonstration	84.332	27	7851	131,034	167,292	255,663	219,405

(Continued)

GRANITE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Grantor / Pass-through Grantor / Program Title	CFDA Number	Pass-through Grantor's Number	District's Program Number	(Deferral) Receivable June 30, 2005	Received	Expended	(Deferral) Receivable June 30, 2006
U.S. DEPARTMENT OF EDUCATION (Continued):							
Passed Through Utah State Office of Education (Continued):							
Reading First State Grants	84.357	72	7810	\$ 339,293	\$ 940,352	\$ 836,390	\$ 235,331
English Language Acquisition Grants	84.365	73	7881	646,356	1,283,389	983,368	346,335
Improving Teacher Quality State Grants	84.367	74	7861	2,648,506	2,692,657	2,748,406	2,704,255
Hurricane Education-Recovery	84.938	8C-92-6	7803/7508	-	-	126,750	126,750
Passed Through the University of Utah:							
Research in Special Education	84.324	n/a	7726	(1,045)	-	1,045	-
Passed Through Utah Housing Authority:							
Vocational Education - Basic Grants to States	84.048	n/a	6732	2,846	2,846	-	-
Passed Through Utah Family Center:							
Parental Assistance Centers	84.310	n/a	7701	-	2,305	1,284	(1,021)
Passed Through the Utah State University:							
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	n/a	7723	76,803	98,947	64,787	42,643
Passed Through Wasatch Front Consortium:							
Vocational Education - Basic Grants to States	84.048	n/a	6320/6350	112,046	112,046	87,934	87,934
				15,932,513	37,075,866	33,792,224	12,648,871
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Passed Through the Asian Association of Utah:							
Refugee and Entrant Assistance - Discretionary Grants	93.576	n/a	7710	32,500	32,500	10,480	10,480
Passed Through DDI Vantage, Inc.:							
Head Start	93.600	n/a	7718	(66,018)	70,198	56,853	(79,363)
Passed Through Salt Lake County:							
Consolidated Knowledge Development and Application (KD&A) Program	93.230	AL1216C	7740	20,000	20,000	-	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	AL04513C	7703	(29,848)	90,024	109,773	(10,099)
Passed Through the Utah Area Health Education Centers:							
Health Careers Opportunity Program	93.822	D18HP10007	6305	30,431	45,011	14,580	-
Passed Through the Utah Department of Workforce Services:							
Refugee and Entrant Assistance - State Administered Programs	93.566	001650	7632	-	-	80,628	80,628
Child Care and Development Block Grant	93.575	040828	7591	15,085	59,156	212,288	168,217
Passed Through Utah State Office of Education:							
Refugee and Entrant Assistance - Discretionary Grants	93.576	25	7725	42,496	42,496	-	-
				44,646	359,385	484,602	169,863
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:							
Passed Through Utah State Office of Education:							
Learn and Serve America - School and Community Based Programs	94.004	53	7603	7,296	11,272	19,963	15,987
Total federal awards				\$ 16,525,110	\$ 49,686,388	\$ 46,820,919	\$ 13,659,641

The accompanying notes are an integral part of this schedule.

GRANITE SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. General

The schedule of expenditures of federal awards presents the activity of all federal award programs of Granite School District (District). The District reporting entity is defined in Note 1 to the District's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the schedule.

Note 2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for awards received by governmental funds as described in Note 1 to the District's financial statements.

Most of the federal awards are expenditure-driven grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; grants received in advance are recorded as deferred revenue until earned. Donated food commodities are recorded at fair value in the School Lunch Fund as an inventory asset and federal revenue when received. Donated food commodity inventories are recorded as expenditures when they are transferred to schools for consumption.

Note 3. Relationship to District's Financial Statements

The District also received Medical Assistance Program grant monies from the State of Utah Department of Health; this federal grant is not classified as federal financial assistance. A reconciliation of federal revenue as reported on the District's basic financial statements and the schedule of expenditures of federal awards for the year ended June 30, 2006 is as follows:

General Fund	\$ 32,697,345
Capital Projects Fund	1,362,398
Other Governmental Funds (Special Revenue Funds):	
School Lunch	11,670,501
Success Charter School	49,914
Non K-12 Programs Fund	<u>3,399,034</u>
Total governmental funds	49,179,192
Medical Assistance Program grant monies received from	
State of Utah Department of Health	<u>(2,358,273)</u>
Total federal revenue reported on the Schedule of	
Expenditures of Federal Awards (SEFA)	<u><u>\$ 46,820,919</u></u>



**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Board of Education
Granite School District

We have audited the financial statements of Granite School District as of and for the year ended June 30, 2006 and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Granite School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Granite School District in a separate letter dated September 15, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Granite School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified users.

Squire & Company, PC

September 15, 2006



**Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control over Compliance in Accordance with OMB Circular A-133,
Audits of States, Local Governments, and Non-Profit Organizations**

Board of Education
Granite School District

Compliance

We have audited the compliance of the Granite School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of the major federal programs for the year ended June 30, 2006. Granite School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Granite School District's management. Our responsibility is to express an opinion on Granite School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Granite School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Granite School District's compliance with those requirements.

In our opinion, Granite School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Granite School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Granite School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does

not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Granite School District as of and for the year ended June 30, 2006 and have issued our report thereon dated September 15, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Agui & Company, PC

September 15, 2006

GRANITE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2006

No matters were reported in the prior year.

GRANITE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

I. Summary of auditor's results:

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

-Material weakness(es) identified? ☐ yes ☒ no

-Reportable condition(s) identified that are not considered to be material weaknesses?
☐ yes ☒ none reported

Noncompliance material to financial statements noted?
☐ yes ☒ no

Federal Awards:

Internal control over major programs:

-Material weakness(es) identified? ☐ yes ☒ no

-Reportable condition(s) identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs
84.357	Reading First State Grants
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 1,404,628

Auditee qualified as low-risk auditee? ☒ yes ☐ no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.



**Independent Auditor's Report on Legal Compliance in
Accordance with the *Utah State Legal Compliance Audit Guide***

Board of Education
Granite School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Granite School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 15, 2006. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major state assistance programs as required by the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2006. The District received the following major state assistance programs from the State of Utah (each passed through the State Office of Education):

Minimum School Program
Other State Appropriations

Driver Education

The District also received nonmajor state grants, which are not required to be audited for specific compliance requirements; however, these grants were subject to test work as part of the audit of the District's financial statements.

Our audit also included test work on the District's compliance with those general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide* including:

Public Debt
Purchasing Requirements
Truth in Taxation and Property Tax Limitations

Cash Management
Budgetary Compliance
Other General Compliance Issues

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Granite School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2006.

Agui & Company, PC

September 15, 2006



Letter to Management

September 15, 2006

Board of Education
Granite School District

In planning and performing our audit of the financial statements of Granite School District for the year ended June 30, 2006, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 15, 2006, on the financial statements of the District. Also, reportable conditions and material internal control weaknesses, if any, are included in our reports dated September 15, 2006, in accordance with *Government Auditing Standards* and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Individual school accounting – We visited 33 schools throughout the District for the year ended June 30, 2006. We focused on financial and student membership accounting at the schools. We encourage schools to retain supporting documentation for exit and entry dates and exceptions to the 10-day absence rule. We recommend schools record actual drop dates as they occur rather than rely on absence information to calculate membership days. For certain purchasing transactions tested, we observed instances where supporting information, bids, and approvals could be documented better. Also, we noted instances where the length of time between receiving cash and making bank deposits should be shortened.

Adult education program data – We noted that some of the adult education information submitted to the state did not match data maintained by the District. One possible reason for the differences is the data is date sensitive and is reported by age. Also, new information had been entered after the report was filed with the state. We recommend the District retain documentation that supports what is filed with the state.

New accounting and reporting standard – Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (effective 2007-2008 school year) requires the District to revise its accounting and reporting for long-term disability benefits. The District has reviewed this employee benefit and has obtained an actuarial study to measure and properly report these benefit obligations as required by the new standard.

Foundation investments and accounting – Utah laws and rules govern investing activities for public education foundations, including authorized investments, safekeeping and reporting requirements. We noted certain investments with credit quality ratings less than allowed. We also noted possible noncompliance with the safekeeping requirement, that is the Foundation's public treasurer is to "have custody of all securities purchased or held" or "deposit any of these securities with a bank or trust company to be held in safekeeping by that custodian." The Foundation has prepared an investment policy. We invite the Foundation to review current laws and rules and ensure the investment policy complies. Investing activities should also be monitored for compliance.

Payroll allocation certifications – OMB Circular A-87 requires certifications for each employee whose time is allocated to federal programs. This includes employees who only work in one federal program. We noted instances where certifications for certain salaried employees had not been obtained.

Views of Responsible Officials – We have reviewed these matters with the auditor. District accounting and school personnel have been assigned to evaluate these matters, provide training where necessary, and to update procedures as needed. These matters have been resolved or are being resolved during the current year.

The status of these comments will be reviewed as part of your next audit. We recommend the District establish monitoring policies and procedures to provide the District with reasonable assurance that the District complies with its accounting policies and procedures and the various state and federal program requirements. Monitoring includes ongoing evaluations, recommendations for improvement, timely response to necessary changes, and periodic reports to management and the Board.

We appreciated being able to work with District personnel in our audit. We note those we worked with in the audit and reporting process were well prepared, responsive and helpful. We also noted management's ability and sensitivity to display and communicate an appropriate attitude regarding internal control and the financial reporting process.

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